

# COVER SHEET

SEC Registration Number

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**Company Name**

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

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GIANCARLO V. INACAY

Contact Person

**(632) 8894-6300/6400**

Company Telephone Number

Month

Day

Fiscal Year

Month  Day

Month

Day

Annual Meeting

[illegible]

Form Type

[illegible]

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Amended Articles Number/Section

### Total Amount of Borrowings

\_\_\_\_\_

Total No. of Stockholders

\_\_\_\_\_

Domestic

9-

Foreign

To be accomplished by SEC Personnel Concerned

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File Number

LCU

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## STAMPS

Remarks = Pls. use black ink for scanning purpose

PSE Security Code \_\_\_\_\_  
SEC Number CS202052294  
File Number \_\_\_\_\_

**MREIT, INC.**

\_\_\_\_\_  
(Company's Full Name)

**18<sup>TH</sup> FLOOR ALLIANCE GLOBAL TOWER, 36<sup>TH</sup> STREET CORNER  
11<sup>TH</sup> AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634,  
METRO MANILA, PHILIPPINES**

\_\_\_\_\_  
(Company's Address)

**(02) 88946400**

\_\_\_\_\_  
(Company's Telephone Number)

**DECEMBER 31**

\_\_\_\_\_  
(Fiscal Year Ending)  
(Month & Day)

**SEC FORM 17-A (2024)**

\_\_\_\_\_  
(Form Type)

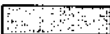
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(Amendment Designation, if Applicable)

\_\_\_\_\_  
Period Ended Date

**PERMIT TO OFFER SECURITIES FOR SALE**

\_\_\_\_\_  
(Secondary License Type, if any)

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE**

1. For the fiscal year ended **31 December 2024**
2. SEC Identification Number: **CS202052294**
3. BIR Tax Identification No. **502-228-971**
4. **MREIT, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code
7. **18<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor.  
11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634**  
Address of principal office
8. **(02) 8894-6400**  
Registrant's telephone number, including area code
9. Former name, former address and formal fiscal year, if changed since last report:  
**N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
<b>Common</b>	<b>3,721,983,381</b>

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

**[x] Yes**                      **[ ] No**

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange      Common Shares<sup>1</sup>**

12. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

**[x] Yes**                      **[ ] No**

has been subject to such filing requirements for the past ninety (90) days.

**[x] Yes**                      **[ ] No**

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<sup>1</sup> Of the total 3,721,983,381 common shares issued and outstanding, 2,795,821,381 common shares are listed in the Philippines Stock Exchange, while the 926,162,000 common shares issued in November 2024 is currently pending listing with the Exchange.

13. Aggregate Market Value of Voting Common Stock held by Non-Affiliates as of 31 December 2024 is Php17,634,607,564.00 based on the closing price of Php 13.34 per share.
14. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:
  - (a) 2024 Audited Financial Statements;
  - (b) Pursuant to SEC Memorandum Circular No. 4-2019, MREIT, Inc.'s Sustainability Report for 2024 is attached to and submitted together with this SEC Form 17-A.



## **PART I - BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

#### **Background**

MREIT, Inc. (the Company) is a real estate investment trust (REIT) incorporated under the Philippine Real Estate Investment Trust Law (Republic Act No. 9856) on 02 October 2020. The Company was designated by Megaworld Corporation (Megaworld), its Parent and Sponsor, to operate as its flagship REIT company, the primary focus of which will be office and retail leasing to a diversified tenant base, with a high-quality portfolio of twenty four (24) office, hotel, retail and other assets across the Philippines and an aggregate gross leasable area (GLA) of of 481,261 square meters as of 31 December 2024.

The Company has an authorized capital stock of ₱5,000,000,000.00 divided into 5,000,000,000 common shares with a par value of ₱1.00 per share, with no preferred shares and no shares held in treasury.

On 01 October 2021, the Company conducted an initial public offering and listed its shares in the Philippine Stock Exchange (PSE). MREIT has a total market capitalization of Php 49.7 billion based on the closing price of Php 13.34 per common share on 31 December 2024, the last trading day of the year. As of the date of this report, the Company has 3,721,983,381 common shares issued and outstanding. 63.44% of the issued and outstanding shares is held by the Sponsor, Megaworld, while 35.52% is held by the public. The remaining shares are held by affiliates and Company's directors at 1.05%.

#### **The Business**

The Company is a REIT formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. The principal investment mandate and strategy of the Company is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. As of 2024, the Company owns and operates a total of twenty four (24) mixed-use buildings (the Properties), with a total GLA of 481,261 square meters, namely:

##### **Quezon City**

1800 Eastwood Avenue  
1880 Eastwood Avenue  
E Commerce Building

##### **Taguig City**

One World Square  
Two World Square  
Three World Square  
8/10 Upper McKinley  
18/20 Upper McKinley  
World Finance Plaza  
One West Campus  
Two West Campus  
Ten West Campus  
Five West Campus  
One Le Grand

##### **Iloilo City**

Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower  
One Techno Place  
Two Techno Place  
Three Techno Place  
One Global Center

Two Global Center  
Festive Walk 1B  
One Fintech Place  
Two Fintech Place

**Davao City**  
Davao Finance Center

All twenty-four (24) Properties are acquired from Megaworld. In furtherance of the transfer, assignment and conveyance in favor of the Company of all of Megaworld's rights, title and interests in the Properties, Megaworld also assigned in favor of the Company all of its rights and interests in and to the contracts of lease over portions of the Properties leased out to various entities as office, retail and hotel. The Company started earning rental income from 1800 Eastwood Avenue, 1880 Eastwood Avenue, E Commerce Building, One World Square, Two World Square, Three World Square, 8/10 Upper McKinley, 18/20 Upper McKinley, World Finance Plaza, Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower, One Techno Place, Two Techno Place, Three Techno Place and One Global Center in 2021, from One West Campus, Five West Campus, Two Global Center and Festive Walk 1B in 2023, and from One Fintech Place, Two Fintech Place, Davao Finance Center, Two West Campus, Ten West Campus, One Le Grand in 2024. (For more information, see Exhibit 1 – Audited Financial Statements).

As a commercial REIT, the Company will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market. The Company offers shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Megaworld, experienced management with incentive to grow the Company's Gross Revenue and Net Operating Income, and distribution of at least 90% of the Company's Distributable Income.

Through its Fund Manager, the Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the Company's Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a competitive investment return to its investors.

The Company derives its revenues through leasing real properties. The twenty four (24) mixed used buildings owned by the Company located in Quezon City, Taguig City, Iloilo City, and Davao City are leased out to various entities as office, retail and hotel. All of the Properties were developed by Megaworld and stand on land leased from Megaworld for an aggregate period of fifty (50) years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. The Company's portfolio has tenants across various sectors which are categorized as follows: (i) Business Process Outsourcing (BPO) and traditional office; (ii) hotel, (iii) retail and others. In prior years, the Company has secured a number of major BPO customers as long-term tenants in the properties. As of 31 December 2024, 86.4% or 415,828 square meters of the total available GLA of the portfolio was occupied by BPOs and traditional offices, and 4.1% or 12,949 square meters of the total available GLA of the portfolio was occupied by retail and other tenants including 6,769 square meters pertaining to the hotel GLA.

Most of the commercial office lease agreements for the Company's properties are for tenancy periods of between five (5) to ten (10) years. To ensure the timely payment of rent, arrears management procedures are enforced to ensure timely payment of rent. For office properties, the Company requires three months' deposit and three months' advance rental. For retail properties, the Company requires six months' deposit and one month advance rental. Rentals, as well as common use service area (CUSA) fee of the maintenance and upkeep of the buildings are billed monthly or quarterly and are collected either every fifth of the month or first month of the quarter, as applicable. In addition, under the general terms of the leases, lessees and tenants for office properties are obligated to pay additional security deposit also equivalent to three months' rental upfront.

The Company's current committed leases structurally provide opportunities for growth, and this is primed to continue into the future. The total Gross Revenue from the Properties is expected to increase continuously primarily due to higher rental rates obtained on new leases or on renewals of existing leases and built-in rental escalations. The Properties have contractual fixed lease rental escalations of

5% to 10% per annum, providing for a secure source of organic growth and clear income visibility. Additionally, the Company also has the ability to lease up the assets, raising the overall occupancy of the buildings.

The Company is also not subject to the effects of seasonality or other sales cycles, as its rent terms are fixed and apply uniformly (subject to individually negotiated escalation rates) across the lease terms. Additionally, tenants of office properties typically pay a security deposit equal to three months' rent and advance rent equal to three months. Meanwhile, tenants of commercial properties usually pay a security deposit equal to six months' rent and advance rent equal to one month. All of these advance rents are forfeited in case the tenant pre-terminates the lease agreement without prior notice or before the expiry of the lease term without cause. Such stable cash flows have allowed, and will continue to allow, the Company flexibility in maintaining and upgrading the Properties to continually satisfy its tenants' needs; in seeking further investment opportunities, whether expansion of the Company's existing Properties or acquisition of additional properties; and in making regular distributions to the Company's shareholders.

#### *Distribution Methods of Services*

The Company caters primarily to office tenants. As of 31 December 2024, commercial office space comprised approximately 86.4% of the total gross leasable area of the properties, leased out to BPOs and traditional office lessees. The remaining 4.1% of the GLA is allotted to retail tenants and hotel operations while the remaining 9.5% is unoccupied.

#### *Marketing*

The Company engages the services of MREIT Property Managers, Inc. (MPMI) to render, among other things, marketing services of vacant office units, retail units, and other spaces in the properties, including the preparation and submission of proposals and offers to prospective lessees in the name of the Company, and the identification of potential tenants. MPMI also formulates and implements leasing and marketing strategies, and packages leasing and marketing materials to be provided to prospective lessees. In exchange for MPMI's services, the Company pays property management fee to MPMI on a quarterly basis.

#### *Competition*

The Company believes that the competition for office space is principally on the basis of location, quality and reliability of the project's design and equipment, reputation of the developer, supply of comparable space, changing needs of business users, and PEZA registration. The Company considers as primary competitors the REIT subsidiaries of major developers, namely: Ayala Land's AREIT, Inc., Filinvest's FILRT, Vista Land's VREIT, Double Dragon's DDMPR, and Robinsons Land's RCR.

The Company competes on the basis of the strategic locations of its buildings, including their proximity to the malls and residences as part of its mixed-use developments and accessibility to public transportation. The Company believes that its and its Sponsor's established reputation for good quality, ease of doing business, and completing projects on time make the Company one of the most preferred choices of the BPO industry as well as local and multinational companies. The Company is committed to providing an excellent customer experience and satisfaction by offering and maintaining office projects of high quality and reliability, meeting the evolving needs of its customers. Together with Megaworld, the Company aims to maintain its leading position in the office leasing market.

#### *Suppliers*

The Company has a broad base of suppliers that cater to the operation, maintenance and upkeep of the Company's properties, which the Company engages either directly or through the property manager.

#### *Transactions with and/or dependence on related parties*

The Company, in its ordinary course of business, engages in transactions with its parent and affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Transactions with related parties include asset acquisitions from property-for-share swap transactions and land leases with Megaworld (the Company's Parent and Sponsor), and fund and property management agreements with affiliates. As a newly established business, the Company's current operations depend principally on the services of its Senior Management, comprised of officers who are seconded from Megaworld, and the services of its fund and property managers. Other related party transactions include advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. (For more information, see Exhibit 1 – Audited Financial Statements, Note 15).

#### *Intellectual Property*

The Company has adopted a logo of MREIT which has been filed for the trademark registration with the Philippine Intellectual Property Office. The Company has also secured an exclusive domain for its website and email system ([www.mreit.com.ph](http://www.mreit.com.ph)).

The Company also relies on Megaworld's trademarks to establish and protect its business interests, believing that Megaworld's trademarks and intellectual property rights are important to the Company's success and competitive position. Megaworld, the Sponsor, has registration of trademarks of the McKinley Hill and Iloilo Business Park townships where most of the Properties are located, approved by the Philippine Intellectual Property Office. Megaworld has granted the Company non-exclusive rights to use the foregoing marks where the Properties are located for free for a period of twenty-five (25) years plus an extension of twenty-five (25) years, commencing on 01 June 2021.

#### *Regulatory*

Republic Act No. 9856 or the Real Estate Investment Trust Act of 2009 lapsed into law on 17 December 2009. Pursuant to Section 22 of the said law, the Securities and Exchange Commission (the Philippine SEC) approved the Implementing rules and regulations of the Real Estate Investment Trust Act of 2009 on 13 May 2010. Under the REIT Law, a REIT is a stock corporation established primarily for the purpose of owning income-generating real estate assets. Although designated as a trust, the REIT Law explicitly provides that a REIT is not a "trust" as contemplated under other existing laws and regulations. Instead, the term is used for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.

On 20 January 2020, the Philippine SEC issued Memorandum Circular No. 1, Series of 2020 (the Revised REIT IRR), amending the existing REIT regulations by, among others, modifying the minimum public ownership of a REIT, incorporating a reinvestment of proceeds policy, imposing additional corporate governance mechanisms into a REIT, and adding qualifications of a REIT fund manager and property manager. The regulatory amendment was published in a newspaper of general circulation on 23 January 2020 and became effective on 07 February 2020.

In order to be considered a REIT and to benefit from the incentives under the law, the shares of a REIT must be registered with the Philippine SEC in accordance with the Securities Regulation Code (SRC) and listed with the Philippine Stock Exchange (PSE) in accordance with its Listing and Disclosure Rules and its Amended Listing Rules for REITs (PSE Rules). The procedure for the registration and listing of such shares as a REIT shall comply with the applicable registration and listing rules and regulations of the Philippine SEC and the PSE, in addition to the specific requirements under the REIT Law and the PSE Rules.

The REIT Law and the Revised REIT IRR limit the allowable investment of a REIT mainly to income generating real estate. 75% of the total value of the REIT's assets, reflecting the fair market value of total assets held, must be invested in, or consist of, income-generating real estate and 35% of which must be located in the Philippines. Should a REIT invest in income-generating real estate located outside of the Philippines, the same should not exceed 40% of its Deposited Property and only upon special authority from the Philippine SEC. An investment in real estate may, by way of direct ownership or a shareholding in a domestic special purpose vehicle, be constituted to hold/own real estate. The real estate to be acquired by the REIT should have a good track record for three years from the date of acquisition. An income-generating real estate is defined under the REIT Law to mean real property

which is held for the purpose of generating a regular stream of income such as rentals, toll fees, user's fees, ticket sales, parking fees and storage fees.

A REIT must distribute at least 90% of its distributable income annually as dividends to its shareholders not later than the last working day of the fifth (5th) month following the close of the fiscal year of the REIT.

#### *Government approvals and regulations*

The Company secures various government approvals, such as PEZA licenses, environmental compliance certificates, and operating permits, required primarily in the Company's operation of its assets for leases. The Company's property manager is tasked to ensure that the Company's permits and licenses to operate the properties and to engage in property leasing business are up-to-date.

#### *Employees*

The business of the Company is dependent on the services of personnel rendered by Senior Management, who are officers and employees of Megaworld, and by the Company's fund manager and property manager. As of 31 December 2024, the Company has zero full-time employees.

The Company has no collective bargaining agreements with employees and there are no organized labor organizations in the Company.

#### *Risks Associated with the Company's Business*

##### The Company is exposed to risks inherent in the Philippine real estate market.

The Company is highly dependent on the performance of the Philippine real estate market and the state of the Philippine economy because all of its Properties are located in the Philippines. The demand for, and prevailing prices of office leases are directly related to the strength of the Philippine economy and the overall levels of business activity in the Philippines. The growth of the real estate sector has been mainly driven by the fast-growing BPO sector, which is vulnerable to global economic changes. As one of the fastest growing sectors in the Philippine real estate industry, the BPO sector drives office space demand, which fuels the performance and profitability of the Company's Properties.

Several factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies and other factors beyond the Company's control. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine property market and lead to an adverse change in the Philippines' macroeconomic situation. This materially and adversely affects the Company's results of operations. Moreover, the Company's tenants in the BPO sector are taking actions to mitigate its impact, such as early termination of leases, downsizing or non-renewal of leases, particularly with the increase in work-from-home arrangements. Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole, and the property market in the BPO sector in particular. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of the Properties and a decrease in rental rates.

##### The Company is exposed to risks that it will be unable to lease its Properties in a timely manner or collect rent at profitable rates or at all.

The Company is subject to risks incidental to the ownership and operation of office and related retail properties including, among others, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based

tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

Significant competition in the markets in which the Company operates could adversely affect its business.

The Company operates in a highly competitive industry. Its future growth and development are dependent, in large part, on the availability of large tracts of office and commercial assets suitable for acquisition, development or lease. As the Company and its competitors compete for such assets, it may become more difficult to find suitable properties in locations and at prices acceptable to the Company, particularly in Metro Manila, Central Business Districts (CBDs) and other key urban areas. To the extent that the Company is unable to grow its portfolio at acceptable prices, its growth prospects could be limited and its business and results of operations could be adversely affected.

A number of other office and commercial center developers and real estate services companies, some with greater financial and other resources than the Company, compete with the Company in various aspects. Competition from other real estate developers and real estate services companies may adversely affect the Company's ability to grow its portfolio, or attract and retain tenants, and continued development by these and other market participants could result in saturation of the market for office spaces.

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

The Company's Properties cater primarily to the BPO sector and the traditional office sector. Majority of its Properties are currently designed with traditional office space or to suit the specific requirements of a BPO tenant.

Recent trends in the Philippine commercial leasing market, however, indicate that many corporate consumers desire non-traditional office space, such as co-working spaces. Tenants that desire these types of co-working space also typically seek short-term lease terms. There is no guarantee that the Company will be able to keep pace with such changes in the commercial leasing market and offer office space and rental terms that are desirable for such businesses. There is also no guarantee that the Company's current tenants will not prefer different types of office space and rental arrangements. If the Company's pool of potential tenants is significantly reduced or if a large number of tenants do not renew their leases as a result of such trends, the Rental Income generated by the Properties could be adversely affected, which could also impact the Company's financial condition and results of operations and ability to make distributions at the desired levels. The Company attempts to manage this risk by actively monitoring the real estate market in the Philippines to assess market trends and respond to changing needs and tastes, by continuing to maximize the desirability of its Properties and by pursuing well-planned and timed asset acquisition and investments.

The Company does not own the lands on which its Properties are situated.

The Properties are situated on lands owned by Megaworld. Although the Company owns the Properties, the Company leases the underlying land from Megaworld pursuant to separate lease agreements.

Lease agreements are entered into between the Company and Megaworld over the land on which the Properties stands for an aggregate period of fifty (50) years, comprising an initial lease period of twenty-five (25) years, with the Company having the option to renew for another twenty-five (25) years on such terms and conditions mutually acceptable to the Company and Megaworld. As consideration for the land leases, the Company will pay the Sponsor, commencing 01 July 2023 and until 30 June 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing 01 July 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties. Rent is exclusive of VAT, DST and other taxes which shall be borne by the Company. The rental amounts due to Megaworld from the Company may be renegotiated for the renewal period.

Any substantial changes to the land lease contracts or Megaworld's ownership or right over the leased land, as well as the cancellation or termination of the lease, may adversely affect the Company's financial condition and results of operations and ability to make distributions. Because Megaworld is the Sponsor and remains as the majority shareholder of the Company, the Company believes that the interests of both parties are generally aligned and this alignment helps mitigate the risk.

In 2024, the Company entered into land lease agreement with a related party under common ownership, over the land on which a certain investment property stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay rent equivalent to: (a) 2.5% of gross rental income for office and retail properties for the period October 1, 2024 and until June 30, 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period October 1, 2024 and until June 30, 2025, and 3% thereafter.

The Company's business and operations are dependent upon the expertise and experience of the Fund Manager's and Property Manager's officers and employees.

As part of its transition to a REIT, the executive officers of the Company are seconded from other companies within the Megaworld Group. As such, the Company is dependent on the expertise and experience of the Fund Manager's and the Property Manager's directors, senior management, and other key employees for the success of the business. These individuals possess deep industry knowledge and an acknowledged reputation in the market, owing to their track records and experience.

If one or more of these directors or members of senior management are unable or unwilling to continue in their present positions, the fund manager or the property manager may not be able to replace them within a reasonable period of time with individuals who possess comparable expertise and experience, or at all, which may seriously disrupt, and materially and adversely affect, the Company's business, results of operations, and future prospects. The Company intends to manage the foregoing risks by adopting a business continuity plan and succession plan by identifying members of the management who will be able to assume and take on the role and additional responsibilities arising from such departure.

## ITEM 2. PROPERTIES

The Properties of the Company as of 31 December 2024 consist of rental office and retail properties and hotels, including the following:

<u>Property</u>	<u>Location</u>	<u>Description</u>	<u>GLA (in sq.m.)</u>
One World Square	McKinley Hill, Fort Bonifacio, Taguig City	11-storey Office Tower	30,481.7
Two World Square	McKinley Hill, Fort Bonifacio, Taguig City	16-storey Office Tower	21,286.4
Three World Square	McKinley Hill, Fort Bonifacio, Taguig City	16-storey Office Tower	21,221.7
8/10 Upper McKinley Building	McKinley Hill, Fort Bonifacio, Taguig City	10-storey Office Tower	19,937.5
18/20 Upper McKinley Building	McKinley Hill, Fort Bonifacio, Taguig City	10-storey Office Tower	19,412.8
World Finance Plaza	McKinley Hill, Fort Bonifacio, Taguig City	15-storey Office Tower	25,067.5

<u>Property</u>	<u>Location</u>	<u>Description</u>	<u>GLA (in sq.m.)</u>
1880 Eastwood Avenue	Eastwood, Quezon City	10-storey Office Tower	33,482.5
1800 Eastwood Avenue	Eastwood, Quezon City	10-storey Office Tower	34,720.6
E-Commerce Plaza	Eastwood, Quezon City	10-storey Office Tower	21,032.2
Richmonde Tower and Richmonde Hotel Iloilo	Iloilo Business Park, Iloilo City	3-storey Office Tower and 12-storey Tower	6,354.8 and 6,769.1
One Techno Place	Iloilo Business Park, Iloilo City	4-storey Office Tower	9,548.7
Two Techno Place	Iloilo Business Park, Iloilo City	5-storey Office Tower	11,393.4
Three Techno Place	Iloilo Business Park, Iloilo City	4-storey Office Tower	9,567.9
One Global Center	Iloilo Business Park, Iloilo City	4-storey Office Tower	10,301.0
Two Global Center	Iloilo Business Park, Iloilo City	4-storey Office Tower	9,902.6
Festive Walk 1B	Iloilo Business Park, Iloilo City	4-storey Office Tower	14,703.0
One West Campus	McKinley Hill, Fort Bonifacio, Taguig City	5-storey Office Tower	9,704.3
Five West Campus	McKinley Hill, Fort Bonifacio, Taguig City	5-storey Office Tower	10,257.0

On 10 October 2024, the SEC approved the valuation of the Property-for-Share Swap, which resulted in the transfer to the Company effective October 2024 of six (6) Grade A buildings located in PEZA-registered Zones, namely: 100% ownership of One Fintech Place and of Two Fintech Place, which are located in Iloilo Business Park, Manduriao Iloilo City, 100% ownership of Davao Finance Center located in Davao Park District, Agdao, Davao City, 80% pro indiviso ownership of Two West Campus and Ten West Campus, which are located at 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, and 80% pro indiviso ownership of One Le Grand located in Le Grand Avenue, McWest Blvd and Chateau Road, McKinley West, Fort Bonifacio, Taguig City, in exchange for 926,162,000 common shares of the Company, with a par value of P1 per share and APIC of P12,225.3 million or for a total subscription price of P13,151.5 million.

The Company continuously seeks opportunities to acquire properties in prime locations through purchase or otherwise to increase its leasable assets.

There are no mortgages, liens or encumbrances over any of the Properties owned by the Company.

### **ITEM 3. LEGAL PROCEEDINGS**

#### **No Material Pending Legal Proceedings**



Neither the Company nor any of its Properties are involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries, or any of its or their properties.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 2024 to a vote of security holders.

### PART II – OPERATIONAL AND FINANCIAL INFORMATION

#### ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

##### Market Information

The common shares of the Company are traded on the PSE under the symbol "MREIT". The Company's common stock was first listed on the PSE on 01 October 2021.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		Q1	Q2	Q3	Q4
2021	High				19.70
	Low				16.70
2022	High	22.50	18.58	16.04	14.48
	Low	18.50	15.14	13.90	11.28
2023	High	15.36	15.90	14.56	12.80
	Low	13.70	13.76	12.08	11.54
2024	High	14.20	13.26	13.82	14.04
	Low	12.38	12.30	12.64	13.18

Market price of the Company's shares as at 27 December 2024 was ₱13.34 per share.

##### Holders

As of 31 December 2024, the Company has nineteen (19) shareholders of record. The following table sets forth the shareholders of the Company as of 31 December 2024.<sup>2</sup>

Rank	Name of Stockholder	Number of Common Shares	Percentage of Ownership
1.	Megaworld Corporation	2,077,794,881	55.83% (direct)
2.	PCD Nominee Corp. (Filipino)	1,613,470,057	43.35%
3.	PCD Nominee Corp. (Non-Filipino)	27,432,843	0.74%
4.	AIM Scientific Research Foundation, Inc.	1,250,000	0.04%
5.	Pryce Gases, Inc.	1,035,900	0.03%

<sup>2</sup> The shares of the following directors: Mr. Kevin Andrew L. Tan, Mr. Francisco C. Canuto, and Ms. Lourdes T. Gutierrez-Alfonso are lodged with PCD Nominee Corporation.

6.	Pryce Corporation	851,400	0.03%
7.	James Esteves Takano	124,000	0.00%
8.	Myra P. Villanueva	10,000	0.00%
9.	Milagros P. Villanueva	4,000	0.00%
10.	Myrna P. Villanueva	4,000	0.00%
11.	Juan Carlos V. Cabreza	1,000	0.00%
12.	Marietta V. Cabreza	1,000	0.00%
13.	Antonio E. Llantada Jr.	1,000	0.00%
14.	Sergio R. Ortiz-Luis Jr.	1,000	0.00%
15.	Katherine L. Tan	1,000	0.00%
16.	Jesus B. Varela	1,000	0.00%
17.	Jennifer T. Ramos	100	0.00%
18.	Jennifer T. Ramos	100	0.00%
19.	Francis J. Ricamora	100	0.00%

#### **Dividends and Dividend Policy**

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

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of the Company's annual Distributable Income. The Company intends to declare and pay out dividends on a quarterly basis each year.

In 2024, the Company's distributable income reached Php 3,178.3 million, reflecting a 12% increase from the previous year. Revenue also experienced a 9% year-on-year jump to Php 4,513.5 million. This growth was driven by the four new high-quality office towers and raising rents from current tenants.

Out of the distributable net income for 2024, the Company declared total cash dividends on the Company's common shares amounting to Php 3,007,695,048 broken down as follows:

Payment Date	Amount	Amount per Share
June 14, 2024	Php 687,772,059.73	Php0.2460
August 30, 2024	Php 691,686,209.66	Php0.2474
December 3, 2024	Php 695,879,941.73	Php0.2489
March 6, 2025	Php 932,356,836.90	Php0.2505
<b>Total</b>		<b>Php0.9928</b>

The Company has distributed 95% of its distributable income for the period.

## **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND FINANCIAL CONDITION**

### **Results of Operations**

*(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)*

#### **Review of Twelve Months ending 31 December 2024 versus Twelve Months Ending 31 December 2023**

The Company's net income saw a substantial increase, reaching Php3,973.9 million for the fiscal year ending December 31, 2024, compared to Php168.3 million in the same period last year. This remarkable growth reflects the company's strategic initiatives and asset expansion efforts. After adjusting for fair value gains or losses and other non-cash accounting items, the Company's distributable income also demonstrated strong growth, rising to Php3,178.3 million from Php2,844.1 million in the prior year. This increase was primarily driven by the recognition of newly infused assets in Q4 2024, which contributed to higher rental revenues and improved operational efficiencies. The significant year-over-year improvement highlights the Company's continued efforts to enhance its asset portfolio, optimize income-generating properties, and deliver sustained value to its stakeholders.

### **Revenues**

Rental income increased to Php3,464.1 million from Php3,223.4 million, while net income from dues grew to Php1,049.3 million from Php933.1 million in the same period last year. These gains were driven by the recognition of newly infused assets in Q4 2024, specifically six (6) prime, Grade A office buildings added to the Company's portfolio.

### **Cost and Expenses**

Cost of services increased to Php978.3 million from Php940.6 million, driven by the addition of six newly infused assets. Meanwhile, other operating expenses rose to Php92.5 million from Php62.2 million, primarily due to a one-time expense related to regulatory requirements for the property share swap.

Fair value gains on investment properties of Php790.4 million was recognized this year, driven by the same factors mentioned above. In contrast, the previous year saw a fair value loss of Php2,732.2 million.

Interest expenses declined slightly to Php304.4 million from Php306.9 million in the previous year.

### **Tax Expense**

Tax expense declined by 24% to Php9.6 million, mainly due to lower final taxes from decreased interest income on the Company's rolled-over short-term placements.

The top five (5) key performance indicators of the Company are shown below:

	31 December 2024	31 December 2023
Current Ratio <sup>1</sup>	1.85	1.90
Debt to Equity Ratio <sup>2</sup>	0.11	0.14
Net Debt to Equity Ratio <sup>3</sup>	0.12	0.15
	31 December 2024	31 December 2023
Return on Assets <sup>4</sup>	4.63%	0.28%
Return on Equity <sup>5</sup>	5.38%	0.33%

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have been no seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

#### Material Changes in the Financial Statements

(Increase/decrease of 5% or more)

#### Statement of Financial Position (31 December 2024 vs 31 December 2023)

Item	31 December 2024	Increase/ Decrease	% Change	Causes
Cash and cash equivalents	2,025,255,093	346,343,047	21%	Increased by 21%, principally through to greater cash inflows from the Company's operations.
Trade and other receivables	389,032,440	67,788,145	21%	Increase due to the assignment of receivables and security deposits. Advance rents resulting from the infusion of an extra six (6) offices assets included in the Property for "A share swap transaction"
Other current assets	328,418,809	66,825,428	26%	Increased due to the received creditable withholding tax certificates alongside other taxes that was incurred for the year.

Investment properties	72,922,717,200	13,941,917,200	24%	Increased due to the infusion of an extra six (6) offices assets included in the Property for "A share swap transaction"
Other non-current assets	224,237,781	145,689,803	185%	Increased due to the additional projects which pertains to the building improvements and maintenance.
Other Liabilities	1,782,471,224.75	462,290,077.07	35%	Increase which is due to a growth in fund and property management fees, and other payables such as trade, output VAT, and delayed output VAT outlay connected to the addition of the six (6) office assets during the period.
Capital stock	3,721,983,381.00	926,162,000.00	33%	Increase resulted from the inclusion of six (6) office assets as part of the Property for Share Swap transaction. The SEC released its certification of valuation for the properties on October 2024, which triggered the issuance of new shares and the infusion of stated assets.
Additional Paid In Capital	64,797,000,097.29	12,014,186,212.29	23%	
Retained earnings (deficit)	(2,229,316,774.45)	1,210,759,577.13	-36%	Decreased due to non-cash component on fair value losses.

**Statement of Income (31 December 2024 vs 31 December 2023)**

Item	31 December 2024 (12 Months)	Increase/ Decrease	% Change	Causes
Rental income	3,464,129,798.22	240,747,083.24	7%	The increase in revenue is attributed to the recognition of increased income from the six (6) office properties injected during the fourth quarter.
Income from dues - net	1,049,348,193.75	116,226,441.61	12%	
Operating expense	92,504,316.45	30,307,372.76	49%	The increase is primarily due to payment of fees from the SEC and PSE in relation to the Property for Share Swap transaction as well as expenses from the newly injected properties.
Miscellaneous income	540,773,325.11	3,513,581,489.07	118%	Increase due to the fair value gains from the investment properties.

There are no other significant changes in the Company's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Company.

#### **Review of Twelve Months ending 31 December 2023 versus Twelve Months Ending 31 December 2022**

The Company's net income increased to Php168.3 million for the fiscal year ending 31 December 2023, from a net loss of Php176.6 million in the same period the previous year. In both periods, fair value loss was recognized driving down the net income of the Company. Adding back the fair value loss and removing other non-cash accounting adjustments, the distributable income of the company increased to 2,844.1 million from 2,562.2 million in the same period the previous year. The increases was primarily driven by the recognition of income from four (4) additional prime, grade A office buildings located in PEZA-registered zones.

#### **Revenues**

Rental income grew to Php3,223 million from Php2,918 million while income from dues – net grew to Php933 million from 731 million in the same period last year. Both increases are attributable to the full year recognition of income in the current year from the four (4) additional prime, Grade A office buildings that the Company owns.

#### **Cost and Expenses**

Cost of services also grew to Php940 million from Php676 million, while other operating expenses grew to Php62 million from Php38 million, in the same period last year as a result of the full year recognition of expenses for the operation of the four (4) additional office buildings.

A fair value loss of Php2,732 million was also recorded this year for the reason stated above. In the same period last year, a total fair value gain of Php2,822 million was recorded arising from upward adjustments in the appraisal of the Company's investment Properties.

Interest expenses also decreased slightly to Php306 million from Php309 million the previous year.

#### **Tax Expense**

Tax expense increased by 189% to Php12.6 million due to the higher final taxes arising from the higher interest income generated from the Company's rolled over short-term placement.

The top five (5) key performance indicators of the Company are shown below:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Current Ratio <sup>1</sup>	1.90	2.52
Debt to Equity Ratio <sup>2</sup>	0.14	0.15
Net Debt to Equity Ratio <sup>3</sup>	0.15	0.15
	<b>31 December 2023</b>	<b>31 December 2022</b>
Return on Assets <sup>4</sup>	0.28%	-0.30%
Return on Equity <sup>5</sup>	0.33%	-0.35%

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have been no seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

*Material Changes in the Financial Statements*

*(Increase/decrease of 5% or more)*

**Statement of Financial Position (31 December 2023 vs 31 December 2022)**

Item	31 December 2023	Increase/ Decrease	% Change	Causes
Cash and cash equivalents	1,678,912,046	298,385,986	22%	Increased by 22%, principally through to greater cash inflows from the Company's operations during the first half of 2023.
Trade and other receivables	451,266,601	141,425,570	46%	Increase due to the assignment of receivables and security deposits. Advance rents resulting from the infusion of an extra four (4) offices assets included in the Property for "A share swap transaction"
Other non-current assets	78,547,978	-14,092,636	-15%	Decreased due to the completion of construction in process for building renovations.
Accounts and other payables	785,682,360	291,694,037	59%	Increase which is due to a growth in fund and property management fees, and other payables such as trade, output VAT, and delayed output VAT outlay connected to the addition of the four (4) office assets during the period.
Capital stock	2,795,821,381	263,700,000	10%	Increase resulted from the inclusion of four (4) office assets as part of the Property for Share Swap transaction. The SEC released its certification of valuation for the properties on March 23, 2023, which triggered the issuance of new shares and the infusion of stated assets.
Additional Paid In Capital	52,782,813,885	4,875,347,850	10%	

Retained earnings (deficit)	-3,440,076,347	-2,518,718,024	273%	Decreased due to non-cash component on fair value losses.
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#### Statement of Income (31 December 2023 vs 31 December 2022)

Item	31 December 2023 (12 Months)	Increase/ Decrease	% Change	Causes
Rental income	3,223,382,715	305,597,030	10%	The increase in revenue is attributed to the recognition of increased income from the four (4) office properties injected during the first quarter.
Income from dues - net	933,121,752	202,140,179	28%	
Cost of services	940,568,965	264,357,772	39%	
Other operating expenses	62,196,945	24,796,662	66%	The increase is primarily due to payment of fees from the SEC and PSE in relation to the Property for Share Swap transaction.
Interest income	64,685,771	41,643,448	181%	Increase due to higher interest collected from short-term placements.
Miscellaneous income	1,686,743	998,726	145%	Increase due to the collection of penalties and non-recurring rental income from tenants.
Tax income (expenses)	- 12,586,537	-8,237,702	189%	The increase is attributable to increased final tax expenditure, as well as higher interest revenue obtained from short-term placements during the current period.

There are no other significant changes in the Company's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Company.

#### **Review of Twelve Months ending December 31, 2022 versus Twelve Months Ending December 31, 2021**

The Company saw its net income decline from Php2,014 million in the twelve months ending December 31, 2021 to a net loss of Php177 million in the same period this year. The decline was mainly driven by the fair value loss recorded in the current year arising from the downward adjustment in the appraisal of the Company's investment properties. The downward adjustment came about as a result of the rising interest rates which is a key input in the income approach used in the appraisal of the properties.

#### **Revenues**

Rental income grew to Php2,918 million from Php1,393 million while income from dues – net grew to Php731 million from 295 million in the same period last year. Both increases are attributable to the full year recognition of income in the current year from the fourteen (14) Prime, Grade A office buildings that the Company owns.



## Cost and Expenses

Cost of services also grew to Php676 million from Php243 million, while other operating expenses grew to Php38 million from Php28 million, in the same period last year as a result of the full year recognition of expenses for the operation of the 14 office buildings.

A fair value loss of Php2,822 million was also recorded this year for the reason stated above. In the same period last year, a total fair value gain of Php943 million was recorded arising from upward adjustments in the appraisal of the Company's investment Properties.

Interest expense also rose to Php309 million from Php24 million in the previous year due to the interest-bearing loan secured by the Company to finance the acquisition of additional four (4) office assets on December 21, 2021.

## Tax Expense

Tax expense declined to (Php0.5 million) from Php100 million in the same period last year due to the one time recognition of deferred tax income in the prior year.

### *Financial Condition as of the end of December 31, 2022*

The Company maintains a prudent financial policy and has a healthy balance sheet to support its financial and operational requirements. As of December 31, 2022, the Company's total assets stand at Php58.5 billion, a 3.9% decrease from the previous period arising from the adjustment in appraisal of the Company's properties.

The Company's total current assets now stand Php1,913 million compared to Php1,493 million in December 31, 2021. The change was driven by an increase in the company's trade and other receivables.

Interest bearing loans, net of capitalized transaction costs, remain at Php7.2 billion as of December 31, 2022, arising from the term loan obtained from a local bank to partially finance the acquisition of the four office assets.

The top five (5) key performance indicators of the Company are shown below:

	December 31, 2022	December 31, 2021
Current Ratio <sup>1</sup>	2.52	3.43
Debt to Equity Ratio <sup>2</sup>	0.15	0.14
Net Debt to Equity Ratio <sup>3</sup>	0.15	0.14
	December 31, 2022	December 31, 2021
Return on Assets <sup>4</sup>	-0.30%	3.57%
Return on Equity <sup>5</sup>	-0.35%	3.91%

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.

- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

*Material Changes in the Financial Statements*

**(Increase/decrease of 5% or more)**

**Statement of Financial Position (December 31, 2022 vs December 31, 2021)**

Item	Dec. 31, 2022	Increase/ Decrease	% Change	Causes
Trade and other receivables	309,841,031	165,163,355	114%	Increase due to a combination of increase in accrued receivables arising from straight-line method recognition of rental income and increase in billed receivables which are generally collectible on a 30-day term
Other current assets	268,309,116	197,046,765	277%	Increase due to additional creditable withholding taxes and prepaid expenses
Other non-current assets	92,640,614	38,198,685	70%	Increase is due to the additional security deposit paid for the additional assets
Accounts and other payables	493,988,323	321,796,980	187%	Increase due to rise in fund and property management fees that are payable annually and quarterly, respectively
Retained earnings (deficit)	-921,358,323	-2,643,092,985	-154%	Decrease due to recognition of fair value losses from adjustment in the appraisal of the Company's investment properties

**Statement of Income (December 31, 2022 vs December 31, 2021)**

Item	Dec. 31, 2022 (12 Months)	Increase/ Decrease	% Change	Causes
Rental income	2,917,785,685	1,525,243,792	110%	Increase due to full year recognition of revenues and expenses from the Company's fourteen (14) buildings
Income from dues - net	730,981,573	435,614,410	147%	
Cost of services	675,974,769	432,517,562	178%	
Other operating expenses	37,636,707	9,244,646	33%	

Item	Dec. 31, 2022 (12 Months)	Increase/ Decrease	% Change	Causes
Fair value gains (losses) on investment properties	-2,822,000,000	-3,764,592,380	-399%	Decrease due to non-recurring downward adjustment in the fair value of the Company's investment properties for the year current reporting period. In the previous year, a non-recurring upward adjustment was recognized in the fair value of the Company's investment properties
Interest expense	309,090,834	282,854,303	1078%	Increase primarily due to the interest payments and accruals arising from the Php7.25 billion interest bearing loan obtained by the Company in December 2021
Interest income	23,042,323	14,030,848	156%	Increase due to interest earned over the full year from short term placements
Miscellaneous income	688,017	688,017	N/A	Increase due to collection of penalties and non-recurring rental related income from tenants in the current year
Tax income (expenses)	-4,348,835	-103,928,787	-104%	Decrease is due to the deferred tax income recognized in the prior year. The Company availed of tax incentives available under the REIT Act, thus no deferred taxes were recognized on temporary differences as of the current year.

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

#### ITEM 7. FINANCIAL STATEMENTS

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

#### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company.

## PART III – CONTROL AND COMPENSATION INFORMATION

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

There are seven (7) members of the Company's Board of Directors, three (3) of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director (SRC, Rule 38). All directors were elected during the annual meeting of stockholders held on 02 June 2023, and will hold office until their successors have been duly elected and qualified. All the incumbent directors have been nominated for election to the Board of Directors of the Company for the ensuing calendar year.

Information concerning the background of the directors/nominees for directors and executive officers of the Company indicating their principal occupation or employment and their business experience for the past five (5) years is provided below.

The table sets forth each member of the Company's Board as of 31 December 2024.

Name	Age	Citizenship	Position
Francisco C. Canuto	67	Filipino	Director and Chairman
Kevin Andrew L. Tan	45	Filipino	Director, President and CEO
Katherine L. Tan	73	Filipino	Director
Lourdes T. Gutierrez-Alfonso	61	Filipino	Director
Antonio E. Llantada, Jr.	69	Filipino	Independent Director
Jesus B. Varela	68	Filipino	Independent Director
Sergio R. Ortiz-Luis, Jr.	81	Filipino	Independent Director

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of 31 December 2024.

Name	Age	Citizenship	Position
Giovanni C. Ng	50	Filipino	Treasurer
Jose Arnulfo C. Batac <sup>3</sup>	50	Filipino	Chief Operating Officer
Maria Carla T. Uykim	48	Filipino	Corporate Secretary
Angeli S. Tristeza <sup>4</sup>	32	Filipino	Compliance Officer
Andy Willing Dela Cruz, Jr.	30	Filipino	Investor Relations Officer

#### **Francisco C. Canuto** *Chairman of the Board*

Mr. Canuto joined the Company as a Director in 2020 and is currently the Chairman of the Board of Directors. He is a Certified Public Accountant and holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive and Senior Assistant to the Chairman of Megaworld Corporation (publicly-listed). He is also a member of the Company's Management Executive Committee. He is concurrently a Director of Megaworld Global-Estate, Inc., Gilmore Property Marketing Associates, Inc. and Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc., and

<sup>3</sup> Appointed as Chief Operations Officer effective 16 May 2024.

<sup>4</sup> Appointed as Compliance Officer effective 26 June 2024.

Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Megaworld Oceantown Properties, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation and Eastwood Cyber One Corporation. He serves as Chairman and President of Prestige Hotels & Resorts, Inc., Arcovia Properties, Inc., Lucky Chinatown Cinemas, Inc., Festive Walk Cinemas, Inc., Southwoods Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Megaworld Group, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation. Mr. Canuto holds a bachelor's degree in Commerce major in Accounting from Polytechnic University of the Philippines in 1978 and a Master's Degree in Business Administration from Ateneo de Manila University in 1986.

**Kevin Andrew L. Tan**

*Director, President and Chief Executive Officer*

Mr. Tan is a Director since 2020 and the President and Chief Executive Officer of the Company. He obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific. He is currently the Director and Executive Director of Megaworld Company, and was first appointed as Director on 07 October 2024. He has been with the Company since July 2001, and previously held the position of Executive Vice President and Chief Strategy Officer. He also previously held the position of Senior Vice President for Commercial Division, which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Newport World Resorts Manila in Pasay City, Lucky Chinatown Mall in Binondo, Manila and Uptown Mall in Bonifacio Global City. He is the President, Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc. and Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a Chairman of Megaworld Foundation, Inc. and the Chairman and President of Alliance Global-Infracorp Development, Inc. and Agile Digital Ventures, Inc. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

**Katherine L. Tan**

*Director*

Ms. Tan is a Director of the Company since 2021. Ms. Tan is the Vice Chairman of the Company (Emperador Distillers Inc.) since 2021. She is concurrently a Director of Megaworld Corporation (publicly-listed) and a Director and Treasurer of Alliance Global Group, Inc. and Emperador Inc. (both publicly-listed). She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. and Director and President of Andresons Global, Inc., Raffles & Company, Inc., The Andresons Group, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc. Ms. Tan graduated from St. Scholastica's College, Manila, with the degree in Bachelor of Arts in Nutrition on March 9, 1974.

**Lourdes T. Gutierrez-Alfonso**

*Director*

Ms. Gutierrez-Alfonso is a Director of the Company since 2020. She is currently the President of Megaworld Corporation and was first appointed as Director on 03 June 2024. She is also a member of the Management Executive Committee of the Company. She has been with the Company since March 1990. She likewise serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. Ms. Gutierrez-Alfonso is Chairman of the property management company, First Oceanic Property Management, Inc. She is also a director of Suntrust Properties, Inc., Twin Lakes Corporation, Southwoods Mall, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Cebu Properties, Inc., Megaworld Oceantown Properties, Inc., Megaworld Bacolod Properties, Inc., Eastwood Cyber One Corporation, Davao Park District Holdings,

Inc., and Prestige Hotels & Resorts, Inc. She is also currently the Chairman of Belmont Newport Luxury Hotels, Inc., Megaworld Global-Estate, Inc., and Savoy Hotel Manila, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc. She has extensive experience in real estate and a strong background in finance and marketing. Ms. Gutierrez-Alfonso graduated cum laude from the Far Eastern University with the degree of Bachelor of Science major in Accounting in 1984. She is a certified public accountant by profession.

**Jesus B. Varela**  
*Independent Director*

Mr. Varela is an Independent Director of the Company and has served as such since April 2021. He concurrently serves as independent director in the boards of Global-Estate Resorts, Inc. (publicly-listed), Travellers International Hotel Group, Inc. and Suntrust Resorts Holdings. He is also the immediate past director general of International Chamber of Commerce Philippines (ICC), a Board Regent of Unibersidad de Manila and a columnist at the Philippine Daily Tribune and President of the Erehwon Art Foundation. Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri- Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines. He was formerly Chairman & Acting CEO of GS1 Philippines, Director of PCCI and Vice President of the Employers Confederation of the Philippines. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University in 1979.

**Antonio E. Llantada, Jr.**  
*Independent Director*

Mr. Llantada is an Independent Director of the Company and has served as such since May 2021. Mr. Llantada is a Certified Public Accountant (CPA) by profession. He is concurrently a Professor of Accounting and Finance in Enderun Colleges and Thames International Business School, and a Guest and Regular Resource Faculty - School of Executive Education and Lifelong Learning (SEELL) and the Executive Master in Business Administration Program (EMBA) of the Washington Sycip Graduate School of Business (WGSB) - Asian Institute of Management (AIM). He previously served as the Internal Audit Consultant and Chief Audit Executive of Empire East Land Holdings, Inc. (publicly-listed). Mr. Llantada obtained his Bachelor of Science Commerce degree in Accounting and Bachelor of Arts degree in Behavioral Science. (LIA-COM) in De La Salle University - Manila, and his Master's Degree in Business Administration (MBA) in the Ateneo Graduate School of Business (AGSB).

**Sergio R. Ortiz-Luis, Jr.**  
*Lead Independent Director*

Mr. Ortiz-Luis is an Independent Director of the Company and has served as such since April 2021. He is the President of the Employers Confederation of the Philippines (ECOP), One Philippine Foundation, Inc., Philippine Exporters Confederation (PHILEXPORT) and honorary Chairman and Treasurer of the Philippine Chamber of Commerce and Industry (PCCI). He is the Chairman of Philippine International Airways, National Center for Mediation, Waterfront Mactan Casino Hotel, Inc., Waterfront Philippines, Inc., Grand Ilocandia Resort and Development, Inc., Mayo Bonanza, Inc., Club Waterfront International, Limited, Davao Insular Hotel Company, Inc., Aristocrat Manila City Holdings, Inc. He is also the Chairman and President of Southernpec Phil Corporation and Honorary Chairman of Integrated Concepts & Solutions, Inc. Mr. Ortiz-Luis is also the Vice Chairman of Export Development Council, VC Securities Corporation, Acesite Hotel Philippines, Inc. and Philippine Ease of Doing Business Foundation. He is a Director of Empire East Land Holdings, Inc., GS1 (Formerly Phil. Article Numbering

Council), The Wellex Group, Manila Exposition Complex, Inc., La SalleTech Academy, Inc., Philippine Estate Corporation, B.A Securities, Forum Pacific, Inc. (FPI: Philippines), LikeCash Asia & Pacific Corp (LikeCash), SPC Power Corporation, Alliance Energy Power and Development Inc., Philippine H2O Ventures Corporation, Jolliville Holdings Corporation, Buklod Bayani Coalition, and Director and Treasurer of Bayaning Pulis Foundation, Inc. He is also the Private Sector Representative of The Philippine Bamboo Council, Member of Council of Adviser Makati City, Senator of Philippine Jaycee Senate, Captain of Philippine Coastguard Auxiliary, Trustee & Treasurer of Human Resources Development Foundation, Hon. Consul General of Consulate of Romania in the Philippines, Dean of Consular Corps (2022) of Consular Corps of the Philippines and Honorary Adviser of Int'l. Association of Educators for World Peace. Mr. Ortiz-Luis, Jr. obtained his bachelor's degree in Liberal Arts and Business Administration, and a candidate of Master of Business Administration from De La Salle College. He has a PhD in Humanities from Central Luzon State University, PhD in Business Technology from Eulogio "Amang" Rodriguez Institute of Science and Technology, and PhD in Business Administration from Angeles University Foundation.

**Giovanni C. Ng**

*Treasurer*

Mr. Ng is the Treasurer of the Company. He concurrently serves as Senior Vice President and Finance Director of Megaworld Corporation, the Company's Parent and Sponsor (publicly-listed). He also serves as Director in Eastwood Property Holdings, Inc., Megaworld Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc., Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

**Jose Arnulfo C. Batac**

*Chief Operating Officer*

Mr. Batac is the Chief Operating Officer of the Company. He concurrently serves as Head for Corporate Ventures and Partnerships Management of Megaworld Corporation, the Company's Parent and Sponsor. Prior to this role, he used to lead the estate management department handling the operations of Megaworld's township developments around the country. He is also supporting Megaworld Corporation and MREIT, Inc. to pursue sustainability in its businesses as a shared value among its stakeholders by anchoring its corporate activities to the principles of global ESG standards.

**Maria Carla T. Uykim**

*Corporate Secretary*

Atty. Uykim is the Corporate Secretary of the Company. She is concurrently the Head of the Corporate Advisory and Compliance Division of Megaworld Corporation, the Company's Parent and Sponsor, and a member of its Management Executive Committee. She is concurrently the Corporate Secretary of publicly-listed companies, Global-Estate Resorts and serves as Corporate Secretary in various companies such as Asian E-commerce, Inc., Global One Integrated Business Services, Inc., Megaworld Bacolod Properties, Inc., Megaworld San Vicente Coast, Inc., Northwin Properties, Inc., Suntrust Properties, Inc. and Maple Grove Land, Inc. She likewise serves as a Director and Corporate Secretary of various companies, such as Asia Affinity Property Management, Inc., Luxury Global Malls, Inc., Manila Bayshore Property Holdings, Inc., and Megaworld Capital Town, Inc. Atty. Uykim was previously an Associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff of Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law in 2002 and is a graduate of the double degree

program of De La Salle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management in 1997.

**Angeli S. Tristeza**  
*Compliance Officer*

Ms. Tristeza is the Compliance Officer of the Company. Atty. Tristeza served as the Compliance Officer of the Company from June 26, 2024 to January 15, 2025. She concurrently served as In-House Counsel of the Company since November 2023. Prior to joining, she was a counsel and the Assistant Corporate Secretary of Cebu Pacific Air. Atty. Tristeza graduated from the Ateneo de Manila University with a degree in Legal Management in 2012, and obtained her Juris Doctor degree from the University of the Philippines in 2017. She was admitted to the Philippine Bar in 2018 and has relevant experience in legal, regulatory and compliance work.

**Andy Willing Dela Cruz, Jr.**  
*Investor Relations Officer*

Mr. Dela Cruz is the Investor Relations Officer of the Company. Mr. Dela Cruz concurrently holds the same position at Megaworld Corporation, the publicly listed Sponsor of the company. Before joining the Megaworld Group, Mr. Dela Cruz built a distinguished career in the financial industry, holding key roles such as Equity Analyst at Philippine Equity Partners (affiliated with Bank of America Securities), Institutional Sales, and Senior Analyst at COL Financial Group. Mr. Dela Cruz graduated with honors from Ateneo de Manila University, earning a Bachelor of Science degree in Management-Honors with a minor in Financial Management. He is also a Chartered Financial Analyst (CFA).

**Significant Employees**

The business of the Company is not highly dependent on the services of personnel outside of Senior Management and the employees of the Fund Manager and the Property Manager. Nevertheless, the entire workforce is considered significant, and is expected to work together to achieve the Company's goals and objectives.

**Family Relationships**

President and Chief Executive Officer Kevin Andrew L. Tan is the son of Andrew L. Tan, the Chairman of Megaworld Corporation (the Company's Parent and Sponsor), and of Katherine L. Tan, Director of the Company. Kevin Andrew L. Tan is also the Executive Director of Megaworld Corporation.

**Involvement in Certain Legal Proceedings**

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body,



or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## ITEM 10. EXECUTIVE COMPENSATION

### Summary Compensation Table

Aggregate compensation paid to the Company's Chief Executive Officer and the four (4) most highly compensated executive officers as a group for the last two fiscal years and the estimate for the ensuing year are as follows:

Name and Principal Position	Year	Salary	Other Variable Pay	Total Annual Compensation
Kevin Andrew L. Tan President and CEO				
Giovanni C. Ng Treasurer				
Maria Carla T. Uykim Corporate Secretary				
Jose Arnulfo C. Batac Chief Operating Officer				
Andy Willing Dela Cruz Investor Relations Officer				
President and Four Most Highly Compensated Officers	Actual 2024	Php4.6m	Php1.2m	Php5.8m
	Projected 2025	Php4.8m	Php1.3m	Php6.1m
All Other Officers and Directors as a Group	Actual 2024	Php2.1m	Php0.5m	Php2.7m
	Projected 2025	Php2.2m	Php0.6m	Php2.8m

### Compensation of Directors

The Company's By-Laws stipulates that the total yearly compensation of all directors and principal officers of the Corporation shall not exceed 10% of the net income before tax of the Corporation for the preceding year. In the last two reporting periods, directors received per diem only from the Company.

For 2025, the Company has allocated Php525,000.00 for Directors' per diems. There are no arrangements pursuant to which any Director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended 31 December 2024 for any service provided as a Director.

Name of Directors	Year	Salary	Total Annual Director's Per Diem
Francisco C. Canulo		Per diem	

Kevin Andrew L. Tan		Per diem	
Katherine L. Tan		Per diem	
Lourdes T. Gutierrez-Alfonso		Per diem	
Antonio E. Llantada, Jr.		Per diem	
Jesus B. Varela		Per diem	
Sergio R. Ortiz-Luis, Jr.		Per diem	
Total Annual Director's Per Diem	2023		500,000
	2024		500,000
	2025		525,000

#### **Employment Contracts and Termination of Employment and Change-In-Control Arrangement**

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

#### **Options Outstanding**

There are no outstanding warrants or options in connection with the shares of the Company held by any of the directors or executive officers.

#### **ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

##### **Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares as of 31 December 2024**

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Megaworld Corporation  30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634  Parent/Sponsor	Megaworld Corporation <sup>4</sup>	Filipino	2,361,144,881	63.44%

<sup>4</sup> The Board of Directors of Megaworld Corporation ("Megaworld") has voting and investment power over shares of stock held by Megaworld in the Company.

Common	PCD Nominee Corp. (Filipino)  G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers. <sup>5</sup>	Filipino	1,613,470,057	43.35%
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Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's voting stock known to the Company.

#### Security Ownership of Management as of 31 December 2024

Title of Class Name of Beneficial Owner		Amount and Nature of Beneficial Ownership*	Citizenship	Percent of Class
<b>Directors/Nominees</b>				
Common	Francisco C. Canuto <sup>6</sup>	1,000 (Indirect)	Filipino	0.0000%
Common	Kevin Andrew L. Tan <sup>7</sup>	9,995,000 (Indirect)	Filipino	0.2700%
Common	Katherine L. Tan	1,000 (Direct)	Filipino	0.0000%
Common	Lourdes T. Gutierrez-Alfonso <sup>8</sup>	1,000 (Indirect)	Filipino	0.0000%
Common	Antonio E. Llantada, Jr.	1,000 (Direct)	Filipino	0.0000%
Common	Jesus B. Varela	1,000 (Direct)	Filipino	0.0000%
Common	Sergio R. Ortiz-Luis, Jr.	1,000 (Direct)	Filipino	0.0000%
<b>CEO and Most Highly Compensated Officers</b>				
Common	Kevin Andrew L. Tan	Same as above		
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Maria Carla T. Uykim	0	Filipino	n/a
Common	Jose Arnulfo C. Batac	0	Filipino	n/a
Common	Andy Willing Dela Cruz, Jr.	0	Filipino	n/a
<b>Other Executive Officers</b>				
Common	Angeli S. Tristeza	0	Filipino	n/a

#### Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

#### Changes in Control

On 01 February 2021, Megaworld obtained control over the Company by subscribing to 12,400,000 shares of the Company's authorized capital stock with par value of Php100.00 per share or a total of Php1,240,000,000.00. Accordingly, Megaworld acquired 99.20% direct ownership of the Company's total issued and outstanding capital stock.

On 07 April 2021, the Company approved the amendment of its Articles of Incorporation to change the par value of common shares from Php100.00 to Php1.00, resulting to an increase in the number of common shares from 50,000,000 to 5,000,000,000.

On 07 April 2021, the Company also approved the Property-for-Share Swap transaction with Megaworld in which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in ten (10) mixed-use buildings, in exchange for 1,282,120,381 common shares with a par value of Php1.00 per share and additional paid-in capital (APIC) of Php47,920,287,239.00. The Philippine SEC certified the approval of the valuation of the Property-for-Share Swap on 01 June

<sup>5</sup> Among the PCD participants, Aurora Securities, Inc. owns 314,634,600 shares representing 8.45% of the Company's outstanding capital stock, Government Service Insurance System owns 274,349,100 shares representing 7.37% of the Company's outstanding capital stock, and BANCO DE ORO - Trust Banking Group owns 204,991,600 representing 5.51%.

<sup>6</sup> Shares are lodged with PCD Nominee Corporation.

<sup>7</sup> Shares are lodged with PCD Nominee Corporation.

<sup>8</sup> Shares are lodged with PCD Nominee Corporation.

2021; hence, the issuance of additional common shares to Megaworld was consummated. Accordingly, Megaworld's direct ownership interest increased to 99.61% of the total issued and outstanding capital stock of the Company.

On 01 October 2021, upon the Company's listing in the PSE, Megaworld sold 949,837,500 of its shares in the Company to the public. As a result, Megaworld became the 62.09% owner of the Company, while 37.51% of the Company's shares are held by the public. The remaining shares are held by the Company's directors.

On 01 April 2022, the Company approved the Property-for-Share Swap transaction with Megaworld pursuant to which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in four (4) Grade A buildings located in PEZA-registered Zones in exchange for 263,700,000 common shares of the Company, with a par value of Php1.00 per share and APIC of Php5,010,300,000.00, or for a total subscription price of Php5,274,000,000.00. On 23 March 2023, the Philippine SEC approved the valuation of the Property-for-Share Swap, which resulted in the issuance of 263,700,000 additional common shares to Megaworld.

On 06 June 2023, Megaworld disclosed in its SEC Form 23-B the disposition of 1,250 shares of the Company. Accordingly, as of 31 December 2023, Megaworld's interest in the Company is 55.63%, while the shares held by the public are at 42.98%. The remaining shares are held by Emperador, Inc. (1.03%) and the Company's directors (0.36%).

On May 10, 2024, the BOD of the Company approved the subscription of MC to 926,162,000 common shares of the Company for a total subscription price of P13.2 billion to be paid by way of transfer of six prime, grade A, office properties in PEZA-accredited zones. On October 10, 2024, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on November 19, 2024, the Company issued 926,162,000 common shares.

On November 22, 2024, the Company filed the application for listing of the additional shares with the PSE, which is still pending as of the issuance date of the Company's financial statements. The Company recognized APIC in 2024 amounting to P12,225,338,400, less issuance cost amounting to P211.2 million. Accordingly, as of 31 December 2024, Megaworld's interest in the Company is 63.44%, while the shares held by the public are at 35.52%. The remaining shares are held by affiliates and Company's directors at 1.05%.

### Foreign Ownership

As of 31 December 2024, 27,432,843 common shares, or 0.73% of the Company's outstanding capital stock, are owned by foreigners. The Company's foreign ownership limit is 40%.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company, in the ordinary course of business, engages in transactions with its Parent and affiliates. On 25 June 2021, the Company adopted a Related Party Transaction Policy to ensure that related party transactions are entered into terms comparable to those available to unrelated third parties in similar transactions. The Company has also established a Related Party Transaction Committee composed of three members of the board, two of whom are independent, including the Chairman.

Transactions with related parties include asset acquisitions from, and land leases with, Megaworld Corporation (the Company's Parent and Sponsor), and fund and property management agreements with affiliates. The table below sets out the principal transactions of the Company with related parties as of 31 December 2024:

Year	Related Parties	Nature of the Transaction	Value of the Transaction
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2024	Megaworld Corporation (and Davao Park District Holdings, Inc. in respect of certain properties)	Acquisition of six buildings owned by Megaworld in exchange for shares of stock in the company	The six properties, which were valued by an independent property, were transferred to the Company in exchange for 926,162,000 common shares for a total subscription price of Php13,151.5M, with a resulting additional paid-in capital of Php12,225.3.
2024	Megaworld Corporation (and Davao Park District Holdings, Inc. in respect of a certain property)	Lease of various lands where the buildings acquired from Megaworld are located	Commencing on the start of the quarter when the SEC's confirmation of valuation is obtained up to 30 June 2025, rent equivalent to, as applicable: (a) 2.5% of the Company's gross rental income for office and retail properties; and (b) 1.5% of the Company's hotel rental/revenues for hotel properties. From 01 July 2025 onwards, rent equivalent to, as applicable: (a) 5% of the Company's gross rental income for office and retail properties; and (b) 3% of the Company's hotel rental/revenues for hotel properties.
2022	Megaworld Corporation	Acquisition of four buildings owned by Megaworld in exchange for shares of stock in the Company <sup>9</sup>	The four properties, which were valued by an independent property, were transferred to the Company in exchange for 263,700,000 common shares for a total subscription price of Php5,274,000,000.00, with a resulting additional paid-in capital of Php5,010,300,000.00
2021	Megaworld Corporation (and Empire East Land Holdings, Inc. in respect of certain properties)	Acquisition of ten buildings owned by Megaworld in	The ten properties, which were valued by an independent property, were transferred to the Company

<sup>9</sup> This transaction was consummated in 2023 upon the SEC's approval of the valuation of the properties transferred to the Company.

		exchange for shares of stock in the Company	in exchange for 1,282,120,381 common shares for a total subscription price of Php49,202,407,620.00, with a resulting additional paid-in capital of Php47,920,287,239.00
2021	Megaworld Corporation	Acquisition of four buildings owned by Megaworld for cash	The four properties were acquired by the Company for cash in the amount of Php9,116,000,000.00
2021, 2022, and 2023	Megaworld Corporation (and Empire East Land Holdings, Inc. in respect of certain properties)	Lease of various lands where the buildings acquired from Megaworld are located <sup>10</sup>	<p>From 01 July 2023, rent equivalent to, as applicable:</p> <p>a. 2.5% of the Company's gross rental income for office and retail properties; and</p> <p>b. 1.5% of the Company's hotel rental/revenues for hotel properties.</p> <p>From 01 July 2025 onwards, rent equivalent to, as applicable:</p> <p>a. 5% of the Company's gross rental income for office and retail properties; and</p> <p>b. 3% of the Company's hotel rental/revenues for hotel properties.</p>
2021	MREIT Fund Managers, Inc.	Fund management agreement for the management of the Company's funds and assets	Fund management fee equivalent to 3.5% of the Company's gross revenues, payable annually, not to exceed 1% of the net asset value of the properties under management
2021	MREIT Property Managers, Inc.	Property management agreement for the operation and management of the Company's properties and facilities	Property management fee equivalent to 2.0% of the Company's gross revenues, payable monthly, not to exceed 1% of the net asset value of the properties under management

<sup>10</sup> These leases pertain to the various parcels of land where the buildings acquired from Megaworld in the property-for-share swap transactions and cash acquisition transactions are located.

Other than the foregoing and those disclosed in the Company's Financial Statements, the Company has not entered into any other related party transactions. (For more information, see Exhibit 1 – Audited Financial Statements)

## **PART IV – CORPORATE GOVERNANCE**

### **Evaluation System**

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

### **Deviations from Manual and Sanctions Imposed**

In 2023, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance.

### **Plan to Improve Corporate Governance**

The Company adopted a Manual of Corporate Governance that is compliant with SEC Memorandum Circular No. 19, Series of 2016. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

## **PART V – EXHIBITS AND SCHEDULES**

### **Exhibits**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
1	Audited Financial Statements as of December 31, 2024
2	Sustainability Report for 2024

### **Reports on SEC Form 17-C**

The Company filed the following reports on SEC Form 17-C during the year ended 31 December 2024:

<b>Date</b>	<b>Disclosures</b>
28 February 2024	Notice of Analysts'/Investors' Briefing
29 February 2024	Press Release: MREIT's Distributable Income Surges to P2.8b, up by 13%
29 February 2024	Material Information/Transactions: MREIT's Distributable Income Surges to P2.8b, up by 13%
01 March 2024	Material Information/Transactions: Audited Financial Statements of MREIT, Inc. for the year ended 31 December 2023
04 March 2024	Declaration of Cash Dividends
19 April 2024	Press Release: MEGAWORLD Completes Secondary Share Sale of 40.65m MREIT Shares
23 April 2024	Reinvestment Plan
13 May 2024	Material Information/Transactions: Resolutions Approved During the Special Meeting of the Board of Directors of MREIT, Inc. on 10 May 2024
13 May 2024	Acquisition or Disposition of Assets
13 May 2024	Press Release: MREIT to Acquire Six Assets Worth P13.15-B
13 May 2024	Declaration of Cash Dividends
13 May 2024	Notice of Annual or Special Stockholders' Meeting

13 May 2024	Notice of Analysts'/Investors' Briefing
13 May 2024	Amended Disclosures on Acquisition or Disposition of Assets re: Board approval of Megaworld Corporation's subscription to 926,162,000 common shares for a total subscription price of Php13,151,500,400.00, consisting of par value of One Peso (Php1.00) per share or Php926,162,000.00, and Additional Paid-In Capital of Php12,225,338,400.00, in exchange for six (6) Grade A buildings located in PEZA-registered zones under a tax-free property-for-share swap transaction.
13 May 2024	Clarification of News Reports: Clarification of news article entitled "MREIT set to expand property portfolio by 48%"
13 May 2024	Amended-1 Disclosures on Notice of Annual or Special Stockholders' Meeting re: Notice of Annual Stockholders' Meeting for 2024
16 May 2024	Amended-2 Disclosures on Notice of Annual or Special Stockholders' Meeting re: Notice of Annual Stockholders' Meeting for 2024
16 May 2024	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
21 May 2024	Comprehensive Corporate Disclosure on Issuance of Shares
03 June 2024	Update on Corporate Actions/Material Transactions/Agreements
10 June 2024	Reinvestment Plan
26 June 2024	Results of Annual or Special Stockholders' Meeting
26 June 2024	Results of Organizational Meeting of Board of Directors
27 June 2024	Clarification of News Reports: Clarification of News Article
16 July 2024	Reinvestment Plan Progress Report: Quarterly Progress Report for the First Quarter of 2024 on the Use of the Proceeds from the Block Sale of 40,650,000 Common Shares of MREIT, Inc.
16 July 2024	Reinvestment Plan Progress Report: Quarterly Progress Report for the Second Quarter of 2024 on the Use of the Proceeds from the Sale of 79,700,000 Common Shares of MREIT, Inc.
16 July 2024	Reinvestment Plan Progress Report: Quarterly Progress Report for the quarter ended June 30, 2024 on the application of proceeds from the Block Sale of 279,400,000 Common Shares of MREIT, Inc.
16 July 2024	Reinvestment Plan Progress Report: Final Progress Report on the Disbursement of Proceeds from the Block Sale of 279,400,000 Common Shares of MREIT, Inc.
05 August 2024	Declaration of Cash Dividends
07 August 2024	Notice of Analysts'/Investors' Briefing
11 October 2024	Amended Disclosures on Acquisition or Disposition of Assets re: SEC's approval of MREIT, Inc. and Megaworld Corporation's property-for-share swap of 926,162,000 common shares with a par value of One Peso (PhP1.00) per share and Additional Paid-In Capital of Php12,225,338,400.00, with six (6) Grade A buildings located in PEZA-registered zones.
11 October 2024	Press Release: MREIT Secures Approval to Acquire Six Assets Worth P13.15-B
15 October 2024	Reinvestment Plan Progress Report: Quarterly Progress Report for the quarter ended 30 September 2024 on the application of proceeds from the Block Sale of 40,650,000 Common Shares of MREIT, Inc.
15 October 2024	Reinvestment Plan Progress Report: Quarterly Progress Report for the quarter ended September 30, 2024 on the application of proceeds from the Sale of 79,700,000 Common Shares of MREIT, Inc.
05 November 2024	Declaration of Cash Dividends
08 November 2024	Notice of Analysts'/Investors' Briefing
25 November 2024	Change in Number of Issued and Outstanding Shares
02 December 2024	Material Information/Transactions: Three-Year Investment Strategy of MREIT, Inc.



## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in MAKATI CITY, on 11 APR 2025

MREIT, Inc.  
Company

By:

  
**KEVIN ANDREW L. TAN**  
President and Chief Executive Officer

  
**GIOVANNI C. NG**  
Treasurer

  
**JOSE ARNULFO C. BATAC**  
Chief Operating Officer


  
**GIANCARLO INACAY**  
Chief Financial Officer

  
**MARIA CARLA T. UYKIM**  
Corporate Secretary

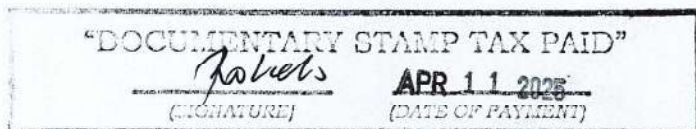
SUBSCRIBED AND SWORN to before me this 11 APR 2025 day of \_\_\_\_\_ 2025 affiant(s) exhibiting to me his/their Tax Identification Numbers, as follows:

Name	TIN No.
Kevin Andrew L. Tan	224-803-734
Giovanni C. Ng	164-662-351
Jose Arnulfo C. Batac	908-169-660
Giancarlo Inacay	338-576-135
Maria Carla T. Uykim	159-353-280

Doc. No. 4119  
Page No. 85  
Book No. 304  
Series of 2025.

  
**ATTY. RAYMOND A. RAMOS**  
COMMISSION NO. M-229  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2026  
2364 ANGONO STREET

BARANGAY POBLACION 1210, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 499549/01-06-2025/Pasig City  
PTR NO. MKT 10494504/01-22-2025/Makati City  
MCLE Compliance No. VIII-0012898/04-14-2028



**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

C	S	2	0	2	0	5	2	2	9	4
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**Company Name**

[illegible]

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

[illegible]

FORM TYPE

1	7	-	A
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DEPARTMENT REQUIRING THE REPORT

M	S	R	D
---	---	---	---

SECONDARY LICENSE TYPE, IF APPLICABLE

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## COMPANY INFORMATION

**COMPANY EMAIL ADDRESS**

COMPLIANCE@MREIT.COM.PH

**COMPANY'S TELEPHONE NUMBER**

(632) 8894-6300/6400

MOBILE NUMBER

(0917) 8788206

NO. OF STOCKHOLDERS

17

ANNUAL MEETING (MONTH/DAY)

TBA

FISCAL YEAR (MONTH/DAY)

DECEMBER 31

### CONTACT PERSON INFORMATION

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

NAME OF CONTACT PERSON

ATTY. KRIZELLE MARIE F. POBLACION

EMAIL ADDRESS

COMPLIANCE@MREIT.COM.PH

TELEPHONE NO.

(632) 8894-6300

MOBILE NUMBER

(0906) 448 8908

## CONTACT PERSON'S ADDRESS

10th Floor, Two World Square, 24 Upper McKinley Road, McKinley Hill, Taguig City, Philippines 1634

*Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

**Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

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

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

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

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

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

  
\_\_\_\_\_  
**FRANCISCO C. CANUTO**  
*Chairman of the Board*

  
\_\_\_\_\_  
**KEVIN ANDREW L. TAN**  
*President and Chief Executive Officer*


  
\_\_\_\_\_  
**GIANCARLO V. INACAY**  
*Chief Financial Officer*

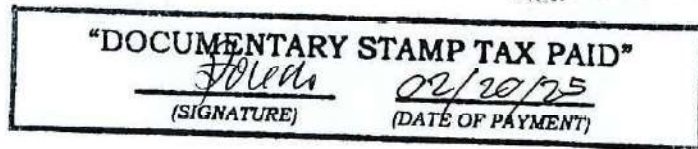
Signed this 20th day of February 2025

SUBSCRIBED AND SWORN to before me this 20th day of February 2025 at MAKATI CITY,  
Philippines, affiants exhibiting to me their Identification Nos. as follows:

Franciso C. Canuto 102-956-483-000  
Kevin Andrew Tan 224-803-734-000  
Giancarlo V. Inacay P4975844B

Doc. No. 61 ;  
Page No. 14 ;  
Book No. 90 ;  
Series of 2025

  
**ATTY. ROMEO M. MONFORT**  
Notary Public City of Makati  
Until December 31, 2025  
Appointment No. M-032 (2024-2025)  
PTR No. 10466008 Jan. 2, 2025/Makati City  
IBP No. 488534 Dec. 27, 2024  
MCLE NO. VII-0027570 Roll No. 27932  
101 Urban Ave. Campos Rueda Bldg.  
Makati City, Philippines





Megaworld Holdings <megaworldholdingsinc@gmail.com>

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## Your BIR AFS eSubmission uploads were received

1 message

---

**eafs@bir.gov.ph** <eafs@bir.gov.ph>  
To: MEGAWORLHDHOLDINGSINC@gmail.com  
Cc: MEGAWORLHDHOLDINGSINC@gmail.com

Mon, Apr 14, 2025 at 4:57 PM

Hi MREIT, INC.,

### Valid file

- EAFS502228971OTHTY122024.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-MQ2P4V310D9L9AKJNPT1WNT404N4MNN4V**  
Submission Date/Time: **Apr 14, 2025 04:57 PM**  
Company TIN: **502-228-971**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.



Megaworld Holdings <megaworldholdingsinc@gmail.com>

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## Your BIR AFS eSubmission uploads were received

1 message

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**eafs@bir.gov.ph** <eafs@bir.gov.ph>  
To: MEGAWORLHDHOLDINGSINC@gmail.com  
Cc: MEGAWORLHDHOLDINGSINC@gmail.com

Mon, Apr 14, 2025 at 4:58 PM

Hi MREIT, INC.,

### Valid file

- EAFS502228971OTHTY122024.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-TVN1Y1Q0QTRXVVYMNVMZZPS0Q2MV2T3T**  
Submission Date/Time: **Apr 14, 2025 04:58 PM**  
Company TIN: **502-228-971**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.





Megaworld Holdings <megaworldholdingsinc@gmail.com>

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## Your BIR AFS eSubmission uploads were received

1 message

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**eafs@bir.gov.ph** <eafs@bir.gov.ph>  
To: MEGAWORLHDHOLDINGSINC@gmail.com  
Cc: MEGAWORLHDHOLDINGSINC@gmail.com

Mon, Apr 14, 2025 at 4:48 PM

Hi MREIT, INC.,

### Valid files

- EAFS502228971ITRTY122024.pdf
- EAFS502228971RPTTY122024.pdf
- EAFS502228971TCRTY122024-01.pdf
- EAFS502228971TCRTY122024-02.pdf
- EAFS502228971AFSTY122024.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-3NQVYXTR0PMSPVWWVPSYQVW4T07F7D9J6L**  
Submission Date/Time: **Apr 14, 2025 04:48 PM**  
Company TIN: **502-228-971**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.



**FOR SEC FILING**

Financial Statements and  
Independent Auditors' Report

**MREIT, Inc.**

December 31, 2024 and 2023



## **Report of Independent Auditors**

---

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

### **The Board of Directors**

**MREIT, Inc.**

***(A Subsidiary of Megaworld Corporation)***

18th Floor, Alliance Global Tower  
36th Street cor. 11th Avenue  
Uptown Bonifacio, Taguig City

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

#### ***Opinion***

We have audited the financial statements of MREIT, Inc. (the Company), which comprise the statements of financial position as of December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2024, 2023 and 2022, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

#### ***Basis for Opinion***

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

### ***Addition to and Valuation of Investment Properties***

#### ***Description of the Matter***

In 2024, the Company acquired additional investment properties valued at P13.2 billion through a Deed of Exchange of Property for Shares with Megaworld Corporation, its Parent Company. Investment properties are accounted for under the fair value model, which was determined by an independent appraiser using the income approach. Under the income approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensate the risks associated with a particular investment. The total fair value of investment properties as of December 31, 2024 is P72.9 billion, which represents 96% of the total assets of the Company. The addition to and valuation of the additional acquisition and remeasurement of fair value of investment properties are considered key audit matters because of the significance of the amounts to the financial statements. In addition, the measurement of the property for share swap transaction and the remeasurement of investment properties at fair value as of December 31, 2024 involve the application of significant management judgments and high estimation uncertainty.

The Company's policy on measurement of investment properties is more fully described in Note 2 to the financial statements. The significant judgments applied and estimates used in measuring fair value are more fully described in Note 3 to the financial statements, while the detailed information on investment properties and valuation approach used are fully described in Notes 6 and 21, respectively, to the financial statements.

#### ***How the Matter was Addressed in the Audit***

We have examined the additional investment properties during the year by agreeing to supporting documents, including but not limited to the Deed of Exchange of Property for Shares and the Securities and Exchange Commission's Certificate of Approval of Valuation. We have evaluated the competence, capability and objectivity of the independent appraisers to establish reliance on their work. We have also involved our internal valuation specialists in evaluating the accuracy of the valuation model and the reasonableness of key assumptions used, such as discount rates and growth rates. We have also tested the completeness and accuracy of key inputs used in the valuation such as lease rates and lease terms, on a sample basis, by agreeing it to supporting lease contracts.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue is presented by the management of the Company in a supplementary schedule filed separately from the basic financial statements and is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is John Endel S. Mata.

### **PUNONGBAYAN & ARAULLO**



**By: John Endel S. Mata**  
Partner

CPA Reg. No. 0121347  
TIN 257-622-627  
PTR No. 10465907, January 2, 2025, Makati City  
BIR AN 08-002551-040-2023 (until January 24, 2026)  
BOA/PRC Cert. of Reg. No. 0002/P-012 (until August 12, 2027)

February 20, 2025

**MREIT, INC.**  
**(A Subsidiary of Megaworld Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**  
**(Amounts in Philippine Pesos)**

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	<b>P 2,025,255,093</b>	P 1,678,912,046
Trade and other receivables	5	<b>389,032,440</b>	321,244,295
Other current assets	7	<b>328,418,811</b>	261,593,381
Total Current Assets		<b>2,742,706,344</b>	2,261,749,722
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	<b>204,385,118</b>	130,022,306
Investment properties	6	<b>72,922,717,200</b>	58,980,800,000
Other non-current assets	7	<b>224,237,781</b>	78,547,978
Total Non-current Assets		<b>73,351,340,099</b>	59,189,370,284
<b>TOTAL ASSETS</b>		<b>P 76,094,046,443</b>	P 61,451,120,006
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts and other payables	8	<b>P 810,031,958</b>	P 785,682,360
Deposits and other liabilities	9	<b>671,761,410</b>	402,219,629
Total Current Liabilities		<b>1,481,793,368</b>	1,187,901,989
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loan	10	<b>7,212,172,904</b>	7,206,697,580
Deposits and other liabilities	9	<b>1,110,413,468</b>	917,961,518
Total Non-current liabilities		<b>8,322,586,372</b>	8,124,659,098
Total Liabilities		<b>9,804,379,740</b>	9,312,561,087
<b>EQUITY</b>			
Capital stock	16	<b>3,721,983,381</b>	2,795,821,381
Additional paid-in capital	16	<b>64,797,000,097</b>	52,782,813,885
Deficit		<b>( 2,229,316,775 )</b>	( 3,440,076,347 )
Total Equity		<b>66,289,666,703</b>	52,138,558,919
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 76,094,046,443</b>	P 61,451,120,006

*See Notes to Financial Statements.*

MREIT, INC.  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>				
Rental income	11	P 3,464,129,799	P 3,223,382,715	P 2,917,785,685
Income from dues - net	2	<u>1,049,348,194</u>	<u>933,121,752</u>	<u>730,981,573</u>
		<b>4,513,477,993</b>	4,156,504,467	3,648,767,258
<b>COST OF SERVICES</b>	12	<u>978,303,651</u>	<u>940,568,965</u>	<u>676,211,193</u>
<b>GROSS PROFIT</b>		<b>3,535,174,342</b>	3,215,935,502	2,972,556,065
<b>OTHER OPERATING EXPENSES</b>	13	<u>92,504,315</u>	<u>62,196,945</u>	<u>37,400,283</u>
<b>OPERATING PROFIT</b>		<u><b>3,442,670,027</b></u>	<u>3,153,738,557</u>	<u>2,935,155,782</u>
<b>OTHER INCOME (CHARGES)</b>				
Fair value gains (losses) on investment properties	6	790,416,800	( 2,732,200,000 )	( 2,822,000,000 )
Interest expense	9, 10	( 304,375,635 )	( 306,980,679 )	( 309,090,834 )
Interest income	4, 7	50,171,485	64,685,771	23,042,323
Miscellaneous income		<u>4,560,676</u>	<u>1,686,743</u>	<u>688,017</u>
		<u><b>540,773,326</b></u>	<u>( 2,972,808,165 )</u>	<u>( 3,107,360,494 )</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>3,983,443,353</b>	180,930,392	( 172,204,712 )
<b>TAX EXPENSE</b>	14	<u>( 9,573,510 )</u>	<u>( 12,586,537 )</u>	<u>( 4,348,835 )</u>
<b>NET PROFIT (LOSS)</b>		<b>3,973,869,843</b>	168,343,855	( 176,553,547 )
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u><b>P 3,973,869,843</b></u>	<u>P 168,343,855</u>	<u>( P 176,553,547 )</u>
<b>BASIC AND DILUTED EARNINGS</b>				
(LOSS) PER SHARE	17	<u><b>P 1.37</b></u>	<u>P 0.06</u>	<u>( P 0.07 )</u>

*See Notes to Financial Statements.*

**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	<u>Note</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>CAPITAL STOCK</b>				
Balance at beginning of year		<b>P 2,795,821,381</b>	P 2,532,121,381	P 2,532,121,381
Issuance of shares during the year	16	<u><b>926,162,000</b></u>	<u>263,700,000</u>	<u>-</u>
Balance at end of year		<u><b>3,721,983,381</b></u>	<u>2,795,821,381</u>	<u>2,532,121,381</u>
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year		<b>52,782,813,885</b>	47,907,466,035	47,907,466,035
Addition during the year	16	<u><b>12,014,186,212</b></u>	<u>4,875,347,850</u>	<u>-</u>
Balance at end of year		<u><b>64,797,000,097</b></u>	<u>52,782,813,885</u>	<u>47,907,466,035</u>
<b>DEFICIT</b>				
Balance at beginning of year		<b>( 3,440,076,347 )</b>	( 921,358,323 )	1,721,734,662
Net profit (loss) during the year		<b>3,973,869,843</b>	168,343,855	( 176,553,547 )
Dividends declared during the year	16	<u><b>( 2,763,110,271 )</b></u>	<u>( 2,687,061,879 )</u>	<u>( 2,466,539,438 )</u>
Balance at end of year		<u><b>( 2,229,316,775 )</b></u>	<u>( 3,440,076,347 )</u>	<u>( 921,358,323 )</u>
<b>TOTAL EQUITY</b>		<u><b>P 66,289,666,703</b></u>	<u>P 52,138,558,919</u>	<u>P 49,518,229,093</u>

*See Notes to Financial Statements.*



**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Notes	2024	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		<b>P 3,983,443,353</b>	P 180,930,392	( P 172,204,712 )
Adjustments for:				
Fair value losses (gains) on investment properties	6	( 790,416,800 )	2,732,200,000	2,822,000,000
Interest expense	9, 10	304,375,635	306,980,679	309,090,834
Interest income	4, 7	( 50,171,485 )	( 64,685,771 )	( 23,042,323 )
Operating profit before working capital changes		<b>3,447,230,703</b>	3,155,425,300	2,935,843,799
Increase in trade and other receivables		( 141,448,207 )	( 141,941,325 )	( 165,624,932 )
Increase in other current assets		( 277,977,618 )	( 128,236,415 )	( 197,544,978 )
Decrease (increase) in other non-current assets		( 144,230,169 )	15,253,575	( 37,179,610 )
Increase in accounts and other payables		24,349,598	291,694,037	321,796,980
Increase (decrease) in deposits and other liabilities		431,126,403	9,099,296	( 95,304,501 )
Cash generated from operations		<b>3,339,050,710</b>	3,201,294,468	2,761,986,758
Interest received		48,009,101	64,040,587	22,983,038
Income tax paid		( 9,573,510 )	( 12,586,537 )	( 4,348,835 )
Net Cash From Operating Activities		<b>3,377,486,301</b>	3,252,748,518	2,780,620,961
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	16	( 2,763,110,271 )	( 2,687,061,879 )	( 2,466,539,438 )
Interest paid	10	( 268,032,983 )	( 267,300,653 )	( 267,361,070 )
Net Cash Used in Financing Activities		( 3,031,143,254 )	( 2,954,362,532 )	( 2,733,900,508 )
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>346,343,047</b>	298,385,986	46,720,453
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT BEGINNING OF YEAR</b>		<b>1,678,912,046</b>	1,380,526,060	1,333,805,607
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 2,025,255,093</b>	P 1,678,912,046	P 1,380,526,060

***Supplemental Information on Non-cash Investing and Financing Activity —***

In 2024 and 2023, the Company and Megaworld Corporation (the Parent Company) entered into property-for-share swap transactions, wherein the Parent Company transferred certain real properties for lease to the Company amounting to P13,151.5 million and P5,274.0 million, respectively. In exchange for the properties transferred, the Company issued 926,162,000 common shares in 2024 and 263,700,000 common shares in 2023, with a par value of P1.0 per share, to the Parent Company, which resulted in the recognition of Capital Stock amounting to P926.2 million and Additional Paid-in Capital of P12,014.2 million, net of P211.2 million in stock issuance costs, in 2024 and Capital Stock amounting to P263.7 million and Additional Paid-in Capital of P4,875.3 million, net of P135.0 million in stock issuance costs, in 2023 (see Note 16).

***See Notes to Financial Statements.***

**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024, 2023, AND 2022**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

MREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws.

The Company is a subsidiary of Megaworld Corporation Inc. (MC) or the Parent Company owning 63.44% of the Company's outstanding capital stock.

MC is presently engaged in property-related activities such as project design, construction, and property management. MC's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI) is the Company's ultimate parent company. AGI is a holding company presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-oriented and gaming businesses.

The registered office address and principal place of business of the Company and MC are located at 18th and 30th Floors, respectively, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The registered office of AGI, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Company's share of stock are listed and traded in the Philippine Stock Exchange (PSE). MC and AGI are also publicly-listed entities in the Philippines.

The financial statements of the Company as of and for year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Company's Board of Directors (BOD) on February 20, 2025.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 *Basis of Preparation of Financial Statements*

#### (a) *Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### (b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

#### (c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

## 2.2 Adoption of New and Amended PFRS Accounting Standards

### (a) Effective in 2024 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Company's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The required disclosures under these amendments are disclosed in Note 10.

- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Company's financial statements.
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Company's financial statements.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.
- (iv) PFRS 19, *Subsidiaries without Public Accountability: Disclosures* (effective from January 1, 2027) The new standard reduces the disclosure requirements prescribed by other standards for subsidiaries without public accountability. It changes disclosure requirements prescribed by other standards as the reporting entity will instead refer to PFRS 19 for required disclosures.

## **2.3 Financial Instruments**

### *(a) Financial Assets*

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

#### *(i) Classification and Measurement of Financial Assets*

The Company's financial assets only include financial assets at amortized cost.

#### *(ii) Impairment of Financial Assets*

The expected credit losses (ECL) on trade and other receivables are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period, except when there has been a significant increase in credit risk on the financial asset since initial recognition.

### *(b) Financial Liabilities*

Financial liabilities include Security deposits (presented under Deposits and Other Liabilities), Accounts and Other Payables (except tax-related liabilities), and Interest-bearing Loan.

## **2.4 Investment Properties**

Investment properties include several buildings for mixed use, which are being leased out as office, retail and hotel, including the hotel's parking spaces.

Investment properties are accounted for under the fair value model. They are revalued annually and are reported in the statement of financial position at its fair value. Fair value is based on the income approach and is determined annually by an independent appraiser with sufficient experience with respect to both the location and the nature of the investment properties (see Note 21.3).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains or losses on investment properties account under the Other Income (Charges) section in the statement of comprehensive income.

## **2.5 Revenue and Expense Recognition**

Revenue comprises revenue from leasing activities.

The following specific recognition criteria must also be met before revenue is recognized:

- (a) *Income from dues* – Income from dues are recognized when the related services are rendered. Electricity and water dues in excess of actual charges and consumption are recorded as revenues. In addition, billing from common dues, presented at gross amounts, is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

The Company assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal for billings from common area, air conditioning and other dues, except for electricity and water dues in which the Company acts as an agent.

- (b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

The Company also recognizes revenues from rentals which are based on the provisions of PFRS 16.

Cost of services and operating expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred.

## **2.6 Leases**

The Company accounts for leases as follows:

- (a) *Company as a Lessee*

Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the statement of comprehensive income when the event or condition that triggers those payments occurs.

The Company has elected to account for any short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

- (b) *Company as a Lessor*

The Company applies judgment in determining whether a lease contract is a finance or operating lease.

## **2.7 Impairment of Non-financial Assets**

The Company's non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## **2.8 Material Related Party Transactions**

Based on the requirements of SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock.

For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

### **3.1 Critical Management Judgment in Applying Accounting Policies**

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

#### *(a) Determination of ECL on Trade and Other Receivables*

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 19.2(b).



Based on management evaluation of information and circumstances affecting the Company's trade and other receivables as of the end of the reporting periods, the Company has not recognized any impairment loss.

(b) *Distinction Among Investment Properties and Owner-occupied Properties*

The Company determines whether a property should be classified as investment property or owner-occupied property. The Company applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Company considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

When a property comprises of a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Company's main line of business or for administrative purposes, the Company accounts for the portions separately if these portions can be sold separately (or leased out separately under finance lease). If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Company's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(c) *Distinction Between Operating and Finance Leases as a Lessor*

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Company's lease agreements are classified as operating leases.

(d) *Evaluating Principal Versus Agent Consideration*

The Company exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Company is a principal) or to arrange for the other party to provide to those goods or services (i.e., the Company is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Company assessed that it is acting as an agent for utility transactions of its tenants under operating leases. The net amount of utility revenues and utility expenses set off against each other is presented as part of Income from dues under Revenues section of the statements of comprehensive income for the reporting periods presented.

(e) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision. Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 18.

**3.2 Key Sources of Estimation Uncertainty**

Presented below and in the succeeding page are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 19.2(b).

(b) *Fair Value Measurement of Investment Properties*

The Company's investment properties, composed of buildings for mixed use, are measured using the fair value model. In determining the fair value of these assets, the Company engages the services of professional and independent appraisers applying the Income Approach. In determining the fair value under the Income Approach, significant estimates are made such as revenues generated, costs and expenses related to the operations of the development and discount rate (see Note 21.3).

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 6 and 21.3.

For investment properties with valuation conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(c) *Determination of Realizable Amount of Deferred Tax Asset*

The Company reviews its deferred taxes at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Although the Company is not designated as tax-free under the law, as a REIT entity it is exempt from income tax provided it meets certain conditions which includes distribution of a minimum amount of its earnings. The Company assesses that it will continue to comply with the conditions and therefore will not have sufficient taxable income against which it can utilize its net operating loss carry over. As a result, no deferred tax asset was recognized as of December 31, 2024 and 2023 (see Note 14).

(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses on the Company's non-financial assets required to be recognized for the reporting periods presented.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cash on hand and in bank	1,783,198,297	813,761,836
Short-term placements	242,056,796	865,150,210
	<u>2,025,255,093</u>	<u>1,678,912,046</u>

Cash in bank generally earns interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 30 to 32 days in 2024 and 30 to 33 days in 2023. These short-term placements earn effective interest of 5.88% in 2024 and 6.0% to 6.15% in 2023.

Interest earned from cash in bank and short-term placements in 2024, 2023 and 2022 amounted to P48.7 million, P63.5 million, and P22.0 million, respectively. Interest earned is presented as part of Interest income under Other Income (Charges) section in the statements of comprehensive income.

## 5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

<i>(Amounts in PHP)</i>	<b>2024</b>	<b>2023</b>
Current –		
Trade receivables:		
Billed	<b>243,894,057</b>	165,668,420
Accrued	<b>64,100,330</b>	126,876,356
Others	<b>81,038,053</b>	28,699,519
	<b>389,032,440</b>	321,244,295
Non-current –		
Trade receivables –		
Accrued	<b>204,385,118</b>	130,022,306
	<b>593,417,558</b>	451,266,601

Billed receivables arise mainly from tenants for rentals of office, retail, hotel, and parking spaces, including dues. These are noninterest-bearing and are generally collectible on 30-day term.

Accrued receivables pertain to receivables resulting from the straight-line method of recognizing rental income.

Other receivables mainly pertain to the advances to the building administration and fit out allowances.

All trade and other receivables are subject to credit risk exposure. However, there was no impairment losses recognized for the reporting periods presented as management believes that the remaining receivables are fully collectible [see Note 19.2(b)]. In addition, the receivables are secured to the extent of advance rent and security deposits received from lessees which provide credit enhancements.

## 6. INVESTMENT PROPERTIES

The Company's investment properties include several buildings for mixed use, which are being leased out as office, retail, and hotel, including the hotel's parking spaces.

A reconciliation of the carrying amounts of investment properties is shown below.

<i>(Amounts in PHP)</i>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Balance at beginning of year	<b>58,980,800,000</b>	56,439,000,000	59,261,000,000
Additions	<b>13,151,500,400</b>	5,274,000,000	-
Fair value gains (losses)	<b>790,416,800</b>	(2,732,200,000)	(2,822,000,000)
Balance at end of year	<b>72,922,717,200</b>	58,980,800,000	56,439,000,000

As of December 31, 2024, the Company has a total of 24 investment properties consisting of the following:

Located at McKinley Hill, Fort Bonifacio, Taguig City:

- One World Square
- Two World Square
- Three World Square
- 8/10 Upper McKinley Building
- 18/20 Upper McKinley Building
- World Finance Plaza
- One West Campus (80% owned pro indiviso)
- Two West Campus (80% owned pro indiviso)
- Ten West Campus (80% owned pro indiviso)
- Five West Campus (80% owned pro indiviso)
- One Le Grand (80% owned pro indiviso)

Located at Eastwood, Quezon City:

- 1880 Eastwood Avenue
- 1800 Eastwood Avenue
- E-Commerce Plaza

Located at Iloilo Business Park, Iloilo City:

- Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower
- One Techno Place
- Two Techno Place
- Three Techno Place
- One Global Center
- Two Global Center
- Festive Walk 1B
- One Fintech Place
- Two Fintech Place

Located at Davao Park District, Davao City:

- Davao Finance Center

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones.

On March 23, 2023, the SEC issued its confirmation of valuation of the four prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in payment of its subscription to 263,700,000 common shares of the Company pursuant to the Deed of Exchange of Property for Shares dated April 5, 2022 (see Note 15.4). Accordingly, the subject properties were transferred to the Company, and 263,700,000 common shares of the Company were issued in the name of MC on March 31, 2023. Pursuant to the amended Deed of Exchange of Property for Shares for this transaction, the Company recognized the income from the Four properties beginning January 1, 2023.

Similarly, on October 10, 2024, the SEC issued its confirmation of valuation of the six prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in payment of its subscription to 926,162,000 common shares of the Company pursuant to the Deed of Exchange of Property for Shares dated May 10, 2024 (see Note 15.4). Accordingly, the subject properties were transferred to the Company, and 926,162,000 common shares of the Company were issued in the name of MC on November 19, 2024. Pursuant to the Deed of Exchange of Property for Shares for this transaction, the Company recognized the income from the Six properties beginning October 1, 2024.

The details of the assets transferred to the Company in 2024 are presented below.

	<u>Ownership</u>
One Fintech Place, Megaworld Blvd., Digital Road and Festive Walk Road, Iloilo Business Park, Manduriao, Iloilo City	100%
Two Fintech Place, Megaworld Blvd., Festive Walk Road, Manduriao, Iloilo City	100%
Davao Finance Center, Davao Park District, Agdao, Davao City	100%
Two West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
Ten West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
One Le Grand, Le Grand Avenue, McWest Blvd and Chateau Road, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso

The details of the assets transferred to the Company in 2023 are presented below.

	<u>Ownership</u>
Two Global Center, Megaworld Blvd. and Enterprise Rd., Iloilo Business Park, Manduriao, Iloilo City	100%
Festive Walk 1B, Lot 5 Buhang Taft North Manduriao, Iloilo City	100%
One West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
Five West Campus, 15 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso

In 2024, 2023 and 2022, rental income from investment properties amounted to P3,464.1 million, P3,223.4 million, and P2,917.8 million, respectively (see Note 11).

The direct operating costs incurred relating to investment properties, which pertain to repairs and maintenance and real property taxes, amounted to P67.3 million, P172.9 million, and P104.1 million in 2024, 2023 and 2022, respectively. These direct operating costs are presented as part of Cost of Services account in the statements of comprehensive income (see Note 12). All investment properties generate rental income.

The fair values of the investment properties as of December 31, 2024 and 2023 were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach (see Note 21.3). The related fair value gain in 2024 and fair value losses in 2023 and 2022, are presented as Fair Value Gains (Losses) on Investment Properties in the statements of comprehensive income.

## 7. OTHER ASSETS

The Company's other assets consist of the following:

<i>(Amounts in PHP)</i>	<b>2024</b>	<b>2023</b>
Current:		
Creditable withholding taxes	<b>157,964,435</b>	110,789,901
Prepaid expenses	<b>89,998,106</b>	72,156,399
Deferred input value added tax (VAT)	<b>74,051,496</b>	76,157,097
Supplies	<b>4,538,279</b>	-
Creditable VAT withheld	<b>1,866,495</b>	2,489,984
	<b>328,418,811</b>	261,593,381
Non-current:		
Advances to contractors	<b>131,251,893</b>	4,193,839
Deferred charges	<b>66,527,664</b>	53,671,308
Security deposit	<b>26,458,224</b>	20,649,401
Others	<b>-</b>	33,430
	<b>224,237,781</b>	78,547,978
	<b>552,656,592</b>	340,141,359

Security deposit is related to the lease of certain parcels of land on which the investment properties stand (see Note 15.2). The related interest income recognized from subsequent amortization of the security deposit in 2024, 2023 and 2022 amounted to P1.5 million, P1.2 million, and P1.0 million, respectively. Interest earned is presented as part of Interest income under Other Income (Charges) section in the statements of comprehensive income.

Deferred charges pertain to the difference between the nominal values of the security deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred charges is presented as part of Miscellaneous under Cost of Services account in the statements of comprehensive income (see Note 12).

Advances to contractors consists of advance payment to contractors for aircon related repairs and enhancement.

## 8. ACCOUNTS AND OTHER PAYABLES

The details of this account are as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Accounts payable	15.2, 15.3		
	15.5	<b>197,854,085</b>	460,332,383
Accrued expenses	15.3	<b>482,385,265</b>	240,679,842
Output VAT payable		<b>50,385,431</b>	49,652,443
Deferred output VAT		<b>27,320,806</b>	19,590,863
Deferred revenue		<b>16,089,623</b>	-
Withholding taxes		<b>12,548,480</b>	4,909,493
Interest payable	10	<b>8,055,636</b>	8,055,636
Others		<b>15,392,632</b>	2,461,700
		<b>810,031,958</b>	785,682,360

Deferred revenue consists of advance payments received from tenants for common area service charges attributable to the six newly acquired properties, which will be recognized as revenue over the next 12 months.

## 9. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Current:			
Advance rent	15.1, 18.1	<b>367,731,879</b>	249,188,852
Security deposit	15.1, 18.1	<b>299,270,394</b>	148,131,106
Deferred credits		<b>4,759,137</b>	4,899,671
		<b>671,761,410</b>	402,219,629
Non-current:			
Advance rent	15.1, 18.1	<b>263,184,311</b>	224,919,982
Security deposit	15.1, 18.1	<b>753,593,448</b>	631,021,852
Deferred credits		<b>93,635,709</b>	62,019,684
		<b>1,110,413,468</b>	917,961,518
		<b>1,782,174,878</b>	1,320,181,147



Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligations under the lease contracts. These are equivalent to three months' rent for office and six months' rent for commercial spaces and will be refunded to the lessee at the end of the lease term. The related accretion of interest presented as part of Interest expense under Other Income (Charges) - net in the statements of comprehensive income amounted to P30.9 million, P34.2 million, and P36.3 million in 2024, 2023 and 2022, respectively.

A reconciliation of security deposits as of December 31, 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year	779,152,958	712,839,074	675,215,622
Additions	242,843,556	32,090,084	1,345,783
Accretion of interest	<u>30,867,328</u>	<u>34,223,800</u>	<u>36,277,669</u>
Balance at end of year	<u>1,052,863,842</u>	<u>779,152,958</u>	<u>712,839,074</u>

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

Deferred credits pertain to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method.

A reconciliation of deferred credits is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year	66,919,355	84,163,376	110,140,347
Additions	62,541,895	17,362,471	12,385,578
Amortization	<u>(31,066,404)</u>	<u>(34,606,492)</u>	<u>(38,362,549)</u>
Balance at end of year	<u>98,394,846</u>	<u>66,919,355</u>	<u>84,163,376</u>

Amortization of deferred credits is presented as part of Rental income under Revenues section in the statements of comprehensive income (see Note 11).

## 10. INTEREST-BEARING LOAN

In December 2021, the Company obtained an unsecured, 10-year, P7.25 billion term loan from a local bank to finance the acquisition of investment properties (see Note 6). The principal is payable quarterly in installments beginning on the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly at 3.64% per annum subject to repricing in 2025.

The Company is required to maintain at all times minimum Fixed Charge Coverage Ratio of 2.0x and a maximum Leverage Ratio of either 35% of Deposited Properties or 70% of Deposited Properties, if the borrower has a publicly disclosed investment grade credit rating by a SEC-accredited or internationally recognized rating agency to comply with its debt covenants with a certain local bank. As of December 31, 2024 and 2023, the Company is in compliance with such financial covenant obligations.

Total capitalized loan origination costs amounted to P54.4 million. Amortization for the years ended December 31, 2024, 2023 and 2022 amounted to P5.5 million, and is presented as part of Interest expense under Other Income (Charges) – net in the statements of comprehensive income.

The related interest incurred amounted to P268.0 million, P267.3 million, and P267.4 million in 2024, 2023 and 2022, respectively, and this is presented as part of Interest expense under Other Income (Charges) - net in the statements of comprehensive income. The related accrual is presented as Interest payable under Accounts and Other Payables in the statements of financial position (see Note 8).

The reconciliation of the unamortized loan origination costs is presented below.

<i>(Amounts in PHP)</i>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>43,302,513</b>	48,758,739
Amortization	<b>(5,475,324)</b>	(5,456,226)
Balance at end of year	<b>37,827,189</b>	43,302,513

## 11. RENTAL INCOME

The Company derives its revenues from contracts with customers through leasing real properties. The breakdown of rental income as reported in the statements of comprehensive income is shown below.

<i>(Amounts in PHP)</i>	Note	<b>2024</b>	<b>2023</b>	<b>2022</b>
Office		<b>3,165,006,838</b>	2,937,940,509	2,685,516,839
Commercial		<b>197,905,938</b>	188,644,599	131,765,294
Hotel		<b>56,400,000</b>	56,400,000	56,400,000
Advertising		<b>12,340,551</b>	4,447,035	4,447,035
Parking		<b>1,410,068</b>	1,344,080	1,293,968
Amortization of deferred credits	9	<b>31,066,404</b>	34,606,492	38,362,549
		<b>3,464,129,799</b>	3,223,382,715	2,917,785,685

Rental income from office, retail and advertising includes income from straight-line method of recognizing rental income amounting to P11.6 million, P62.7 million, and P123.5 million in 2024, 2023 and 2022, respectively.

Rental income also includes variable lease payments amounting to P34.0 million, P26.3 million, and P21.7 million in 2024, 2023 and 2022, respectively, which do not depend on an index or a rate.

## 12. COST OF SERVICES

The following are the details of cost of services in 2024, 2023 and 2022:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Outside service		<b>252,724,394</b>	246,110,000	178,224,665
Management fees	15.3	<b>248,243,286</b>	228,607,745	200,682,199
Utilities		<b>190,617,013</b>	146,641,453	134,251,052
Land lease	15.2, 18.2	<b>85,262,585</b>	39,512,606	-
Supplies and materials		<b>47,735,106</b>	63,935,320	28,689,642
Repairs and maintenance		<b>39,618,983</b>	144,933,911	82,949,835
Taxes and licenses		<b>34,454,821</b>	32,511,921	24,567,523
Insurance		<b>24,519,534</b>	16,766,335	11,742,529
Miscellaneous	7	<b>55,127,929</b>	21,549,674	15,103,748
		<b><u>978,303,651</u></b>	<b><u>940,568,965</u></b>	<b><u>676,211,193</u></b>

## 13. OTHER OPERATING EXPENSES

Presented below are the details of other operating expenses.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Taxes and licenses		<b>48,158,673</b>	31,314,680	18,555,936
Professional fees		<b>33,954,007</b>	16,903,038	5,942,958
Outside services	15.5	<b>5,469,780</b>	5,469,780	5,469,780
Advertising and promotion		<b>1,274,014</b>	4,321,061	3,829,094
Salaries and employee benefits		<b>503,493</b>	2,873,346	3,111,376
Transportation and travel		<b>82,889</b>	30,219	18,421
Depreciation		<b>42,459</b>	25,661	25,661
Office supplies		<b>34,650</b>	101,359	47,647
Miscellaneous		<b>2,984,350</b>	1,157,801	399,410
		<b><u>92,504,315</u></b>	<b><u>62,196,945</u></b>	<b><u>37,400,283</u></b>

#### 14. INCOME TAXES

Tax expense in 2024, 2023 and 2022 pertains to the 20% final tax on interest income amounting to P9.6 million, P12.6 million, and P4.4 million, respectively.

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or income reported in the statements of comprehensive income in 2024, 2023 and 2022 is presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Tax on pre-tax profit (loss) at 25%	<b>995,860,838</b>	45,232,598	(43,051,178)
Changes in unrecognized deferred taxes	<b>(296,184,593)</b>	638,239,162	665,942,389
Adjustment for income subjected to lower tax rates	<b>(2,604,453)</b>	(3,294,671)	(1,156,976)
Tax effects of:			
Deductible dividend distribution	<b>(690,777,568)</b>	(671,765,470)	(618,470,648)
Non-deductible expenses	<b>11,410,795</b>	13,116,776	10,930,654
Non-taxable income	<b>(8,131,509)</b>	(8,941,858)	(9,845,406)
	<u><b>9,573,510</b></u>	<u>12,586,537</u>	<u>4,348,835</u>

The Company is subject to regular corporate income tax (RCIT) of 25% of net taxable income. However, the Company did not recognize RCIT during the reporting periods since the Company reported zero net taxable income in 2024, 2023 and 2022.

The Company is not subject to the minimum corporate income being a REIT entity.

The Company opted to claim itemized deduction in 2024, 2023 and 2022. In addition, the Company's dividend distribution can be claimed as a special deduction in computing for taxable income both under optional standard deduction and itemized deductions.

## 15. RELATED PARTY TRANSACTIONS

The Company's related parties include the Parent Company and related parties under common ownership. A summary of the Company's transactions and outstanding balances with its related parties is presented below.

(Amounts in PHP)	Note	Amounts of Transactions			Outstanding Receivable (Payable)	
		2024	2023	2022	2024	2023
<b>Parent Company</b>						
Rendering of services	15.1	596,615,253	185,404,218	190,288,374	61,964,065	48,452,534
Advance rent	15.1	-	(2,810)	(3,713,545)	(3,716,355)	(3,716,355)
Security deposits received	15.1	(38,540,189)	(2,187,218)	(8,979,924)	(67,824,930)	(29,284,741)
Security deposits paid	15.2	5,808,822	1,160,939	22,782,651	26,458,224	20,649,401
Property-for-share swap	15.4	13,151,500,400	5,274,000,000	-	-	-
Collections remitted	15.4	623,507,216	207,263,800	-	-	-
Land lease	15.2	84,332,887	39,512,606	-	(25,282,946)	(19,981,967)
<b>Related parties under common ownership:</b>						
Land lease	15.2	929,698	-	-	(929,698)	-
Advance rent	15.1	-	-	(96,529)	(8,713,747)	(8,713,745)
Security deposits received	15.1	(798,146)	-	(2,258,173)	(25,926,618)	(25,128,472)
Rendering of services	15.1	128,786,137	127,750,635	127,753,385	107,618,551	82,173,827
Management services	15.3	248,243,286	228,607,745	200,682,199	(210,449,598)	(310,353,006)
<b>Key Management Personnel</b>						
Compensation	15.5	5,469,780	5,469,780	5,469,780	5,469,780	5,469,780

### 15.1 Rendering of Services to Related Parties

The Company leases some of its investment properties to the Parent Company and other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from 5 to 25 years, with renewal options, and include annual escalation rates of 5% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental income under Revenues section in the statements of comprehensive income (see Note 11). The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade Receivables account in the statements of financial position (see Note 5). Advanced rentals and security deposits relating to this transaction are presented as part of current and non-current portion of Deposits and Other Liabilities account in the statements of financial position (see Note 9).

### 15.2 Land Lease Agreement

The Company entered into land lease agreements with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay MC rent equivalent to: (a) 2.5% of gross rental income for office, retail and commercial properties for the period July 1, 2023 and until June 30, 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period July 1, 2023 and until June 30 2025, and 3% thereafter.

Deposit paid by the Company from the land lease agreement with MC will be refunded at the end of the lease term at face value and was presented as Security deposit under Other Non-current Assets in the statements of financial position (see Note 7). As of December 31, 2024 and 2023, the fair value of the security deposit amounts to P26.5 million and P20.6 million, respectively.

In 2024, the Company entered into land lease agreement with a related party under common ownership, over the land on which certain investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay rent equivalent to: (a) 2.5% of gross rental income for office and retail properties for the period October 1, 2024 and until June 30, 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period October 1, 2024 and until June 30, 2025, and 3% thereafter.

The Company incurred a total of P85.3 million in 2024 and P39.5 million in 2023 for the land lease, which is presented as part of Cost of Services in the 2024 and 2023 statements of comprehensive income. There was no similar transaction in 2022. The outstanding balance, which is payable on demand, unsecured and noninterest-bearing, of P26.2 million and P20.0 million as of December 31, 2024 and 2023, respectively, is presented as part of Accounts payable under Accounts and Other Payables account in the statements of financial position (see Note 8).

### ***15.3 Management Services***

The fund management function of the Company is handled by MREIT Fund Managers, Inc., a subsidiary of MC, in exchange for a fee. Management fee is payable annually equivalent to 3.5% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The operations and management of the properties and facilities of the Company are handled by MREIT Property Managers, Inc., a subsidiary of MC, in exchange for a fee. Property management fee is payable quarterly equivalent to 2% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The Company recognized a total of P248.2 million, P228.6 million and P200.7 million management fees in 2024, 2023 and 2022, which is presented as part of Cost of Services in the statements of comprehensive income. The outstanding balance, which is payable on demand, unsecured and noninterest-bearing, of P210.4 million and P310.4 million as of December 31, 2024 and 2023, respectively, are presented as part of Accounts payable and Accrued expenses under Accounts and Other Payables account in the statements of financial position (see Note 8).

### ***15.4 Property-for-share Swap***

In line with the Company's investment plan to infuse around 100,000 square meters of additional office gross leasable area in 2022, the BOD approved on April 1, 2022 the subscription of MC to 263,700,000 shares of the Company to be paid by way of transfer of four grade A buildings in PEZA-registered zones (see Note 6). Pursuant to the Amended Deed of Exchange of Property for Shares between the two parties, all collections of rental fees, security deposits and advanced rent from January 1, 2023 on the covered properties shall be remitted by MC to the Company. In 2023, MC remitted P207.3 million to the Company.

Similarly, pursuant to the Company's investment plan to infuse assets to reach 500,000 square meters of gross leasable area before the end of 2024, the BOD approved on May 10, 2024 the subscription of MC to 926,162,000 shares of the Company to be paid by way of transfer of six grade A buildings in PEZA-registered zones (see Note 6). Pursuant to the Deed of Exchange of Property for Shares between two parties, the Company shall start recognizing the income from the six properties from the start of the fourth quarter of 2024. In 2024, MC remitted P623.5 million to the Company.

In 2024 and 2023, MC transferred certain real properties for lease to the Company amounting to P13,151.5 million and P5,274.0 million, respectively (see Note 6).

### **15.5 Key Management Personnel Compensation**

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses in the statements of comprehensive income (see Note 13). As of December 31, 2024 and 2023, the outstanding balance of both P5.5 million is presented as part of Accounts payable under Accounts and Other Payables account in the statements of financial position (see Note 8).

## **16. EQUITY**

### **16.1 Capital Stock**

Capital stock consists of:

	Shares			Amounts in PHP		
	2024	2023	2022	2024	2023	2022
Common shares						
Authorized	<b>5,000,000,000</b>	5,000,000,000	5,000,000,000	<b>5,000,000,000</b>	5,000,000,000	5,000,000,000
Issued and outstanding						
Balance at beginning of year	<b>2,795,821,381</b>	2,532,121,381	2,532,121,381	<b>2,795,821,381</b>	2,532,121,381	2,532,121,381
Issuance	<b>926,162,000</b>	263,700,000	-	<b>926,162,000</b>	263,700,000	-
Balance at end of year	<b>3,721,983,381</b>	2,795,821,381	2,532,121,381	<b>3,721,983,381</b>	2,795,821,381	2,532,121,381

On October 2, 2020, the Company was incorporated with a total authorized capital stock of P5,000,000,000 divided into 50,000,000 common shares with a P100 par value per share, of which P10,000,000 had been subscribed and paid.

On February 1, 2021, MC has subscribed to and paid for 12,400,000 shares with par value of P100 per share or a total of P1,240,000,000.

On April 7, 2021, majority of the members of the BOD and stockholders of MREIT approved the amendments to the Articles of Incorporation and By-Laws of MREIT, which include, among others, the change in par value of common shares from P100 to P1, resulting in an increase in the number of authorized common shares from 50,000,000 to 5,000,000,000 and subscribed common shares from 12,500,000 to 1,250,000,000. On May 19, 2021, the Company obtained approval of the amendments from the SEC (see Note 1).

On May 28, 2021, an individual stockholder subscribed and paid 1,000 common shares of the Company with par value of P1 per share or a total subscription price of P1,000.

On June 2, 2021, on consummation of the Deed of Exchange of Property and Shares in relation to the Property-for-Share Swap transaction with MC, the Company issued 1,282,120,381 common shares at par value of P1 per share (see Notes 1 and 6). In addition, the Company recognized additional paid-in capital (APIC) amounting to P47,920,287,239, less shares issuance costs amounting to P12.8 million.

On June 16, 2021, the Company filed its application with the PSE for the listing of its 2,532,121,381 existing common shares. The listing application was approved by PSE on August 9, 2021 which includes the Secondary Offer Shares of 844,300 common shares with an Overallotment Option of up to 105,537,500 common shares to be offered and sold by MC to the public, under the Main Board of the PSE with an offer price of P16.10 per share. The PSE approved the listing application of the Company on August 9, 2021.

Also on June 16, 2021, the Company filed a Registration Statement covering the registration of 2,532,121,381 existing common shares, in accordance with the requirements of the SEC's Securities Regulation Code. The Registration Statement was rendered effective on September 13, 2021.

On October 1, 2021, the common shares of the Company were listed as a REIT company under the Main Board of the PSE.

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones. On March 23, 2023, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on March 31, 2023, the Company issued 263,700,000 common shares.

On May 22, 2023, the Company filed the application for listing of the additional shares with the PSE. The additional shares are listed with the PSE on July 18, 2024. In addition, the Company recognized APIC in 2023 amounting to P5,010,300,000, less issuance cost amounting to P135.0 million.

On May 10, 2024, the BOD of the Company approved the subscription of MC to 926,162,000 common shares of the Company for a total subscription price of P13.2 billion to be paid by way of transfer of six prime, grade A, office properties in PEZA-accredited zones. On October 10, 2024, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on November 19, 2024, the Company issued 926,162,000 common shares.

On November 22, 2024, the Company filed the application for listing of the additional shares with the PSE, which is still pending as of the issuance date of the Company's financial statements. The Company recognized APIC in 2024 amounting to P12,225,338,400, less issuance cost amounting to P211.2 million.

There are 28,547 and 25,989 shareholders of at least one board lot of the listed shares as of December 31, 2024 and 2023, respectively. As of December 27, 2024 and December 29, 2023, the last trading dates for each year, the shares closed at P13.34 and P12.30 per share, respectively.



## 16.2 Dividends

The details of the Company's cash dividend declarations are as follows:

2024	Q4	Q3	Q2	Q1
Declaration date/approved by BOD	Nov. 4, 2024	August 2, 2024	May 10, 2024	March 1, 2024
Date of record	Nov. 18, 2024	August 16, 2024	May 24, 2024	March 18, 2024
Date of payment	Dec. 3, 2024	August 30, 2024	June 14, 2024	April 5, 2024
Amounts declared to common	P 695,879,942	P 691,686,210	P 687,772,060	P 687,772,060
Per share value	P 0.2489	P0.2474	P 0.2460	P 0.2460
2023	Q4	Q3	Q2	Q1
Declaration date/approved by BOD	Nov. 6, 2023	August 8, 2023	May 12, 2023	Jan. 6, 2023
Date of record	Nov. 20, 2023	August 23, 2023	May 29, 2023	Jan. 24, 2023
Date of payment	Dec. 14, 2023	Sept. 14, 2023	June 19, 2023	Feb. 15, 2023
Amounts declared to common	P 687,772,060	P 692,245,374	P 692,245,374	P 614,799,071
Per share value	P 0.2460	P0.2476	P 0.2476	P 0.2428
2022	Q4	Q3	Q2	Q1
Declaration date/approved by BOD	Nov. 11, 2022	August 5, 2022	April 22, 2022	March 4, 2022
Date of record	Nov. 25, 2022	August 19, 2022	May 10, 2022	March 18, 2022
Date of payment	Dec. 15, 2022	Sept. 9, 2022	May 31, 2022	March 31, 2022
Amounts declared to common	P 618,850,466	P 624,927,557	P 615,305,496	P 607,455,919
Per share value	P 0.2444	P0.2468	P 0.2430	P 0.2399

## 16.3 Distributable Income

The computation of the distributable income of the Company for the year ended December 31 is shown below.

(Amounts in PHP)	2024	2023	2022
Net income (loss)	<b>3,973,869,843</b>	168,343,855	(176,553,547)
Fair value adjustment of investment property resulting to loss (gain)	<b>(790,416,800)</b>	2,732,200,000	2,822,000,000
Unrealized gains or adjustments to income as a result of certain transactions accounted for under PFRS Accounting Standards	<b>(42,653,190)</b>	(97,293,999)	(121,191,720)
Adjustments due to any prescribed accounting standard which result to a loss	<b>37,480,908</b>	40,881,185	1,939,137
Distributable income	<b>3,178,280,761</b>	2,844,131,041	2,526,193,870

## 17. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts were computed as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net profit (loss) for the year	<b>3,973,869,843</b>	168,343,855	(176,553,547)
Divided by weighted number of outstanding common shares	<u><b>2,903,873,614</b></u>	<u>2,729,896,381</u>	<u>2,532,121,381</u>
Basic and diluted earnings (loss) per share	<u><b>1.37</b></u>	<u>0.06</u>	<u>(0.07)</u>

The Company has no potential dilutive common shares during the reporting periods.

## 18. COMMITMENTS AND CONTINGENCIES

### ***18.1 Operating Lease Commitments – Company as a Lessor***

The Company is a lessor under several operating leases covering real estate properties for office and commercial use (see Note 6). The future minimum lease receivable under these agreements as of December 31, 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Within one year	<b>4,711,624,718</b>	2,917,612,931
After one year but not more than two years	<b>4,133,956,015</b>	2,547,489,544
After two years but not more than three years	<b>3,337,775,440</b>	1,740,895,275
After three years but not more than four years	<b>2,444,406,864</b>	1,051,335,041
After four years but not more than five years	<b>1,735,493,813</b>	673,081,114
More than five years	<u><b>4,442,140,557</b></u>	<u>2,598,259,220</u>
	<u><b>20,805,397,407</b></u>	<u>11,528,673,125</u>

The Company is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Company's revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Company may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Company requires security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 9).

### ***18.2 Operating Lease Commitments – Company as a Lessee***

The Company entered into a land lease agreement with MC and a related party under common ownership, over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years (see Note 15.2). Variable lease payments for the land lease with MC and the related party will commence on July 1, 2023, and October 1, 2024, respectively. The lease agreement does not contain any fixed lease payments. In addition, the lease agreement with MC involves payment for security deposit (see Note 7).

The related variable lease expense incurred amounting to P85.3 million and P39.5 million in 2024 and 2023, respectively, is presented as Land lease under the Cost of Services account in the statements of comprehensive income (see Note 12).

### ***18.3 Others***

There are commitments and contingent liabilities that may arise in the normal course of the Company's operations, which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

## **19. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 20. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close coordination with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial risks.

The Company does not engage in trading of financial assets for speculative purposes. The relevant financial risks to which the Company is exposed are discussed below.

### ***19.1 Market Risk***

As of December 31, 2024 and 2023, the Company is exposed to market risk through its cash in banks, which are subject to changes in market interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

### ***19.2 Credit Risk***

The Company's credit risk is attributable to trade and other receivables and other financial assets. The Company maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. In addition, for trade receivables, security deposits and advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	4	<b>2,025,255,093</b>	1,678,912,046
Trade and other receivables	5	<b>593,417,558</b>	451,266,601
Security deposit	7	<b>26,458,224</b>	20,649,401
		<b><u>2,645,130,875</u></b>	<b><u>2,150,828,048</u></b>

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for Trade receivables are a reasonable approximation of the loss rates for the other assets.

Management considers the ECL on the Company's trade and other receivables to be negligible taking into consideration the counterparties' ability to repay at the reporting date and the actual collection from such counterparties during the reporting periods.

Furthermore, the Company considers credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advance rental and security deposits received from lessees.

The estimated fair value of collateral and other security enhancements held against trade and other receivables as of December 31, 2024 and 2023 is presented below.

<i>(Amounts in PHP)</i>	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
As of December 31, 2024	<b><u>593,417,558</u></b>	<b><u>1,683,780,032</u></b>	<b><u>-</u></b>
As of December 31, 2023	<b><u>451,266,601</u></b>	<b><u>1,253,261,792</u></b>	<b><u>-</u></b>

(c) *Security Deposit*

The credit risk for security deposit is considered negligible as the Company has ongoing lease agreement with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity. The security deposit can also be applied against future rental payments in cases of default.

**19.3 Liquidity Risk**

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities.

As at December 31, 2024 and 2023, the Company's financial liabilities have contractual maturities which are presented below.

<i>(Amounts in PHP)</i>	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>
<b><u>December 31, 2024</u></b>			
Interest-bearing loan	470,155,247	1,999,814,229	8,072,679,275
Security deposits	210,919,111	687,712,822	256,376,203
Accounts payable	197,854,085	-	-
Accrued expenses	482,385,265	-	-
	<u><b>1,361,313,708</b></u>	<u><b>2,687,527,051</b></u>	<u><b>8,329,055,478</b></u>
<b><u>December 31, 2023</u></b>			
Interest-bearing loan	257,347,079	1,978,800,374	8,572,225,343
Security deposits	179,856,807	582,625,738	81,535,377
Accounts payable	460,332,383	-	-
Accrued expenses	240,679,842	-	-
	<u><b>1,138,216,111</b></u>	<u><b>2,561,426,112</b></u>	<u><b>8,653,760,720</b></u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

## 20. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 20.1 Carrying Amounts and Fair Value by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

<i>(Amounts in PHP)</i>		2024		2023	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	4	2,025,255,093	2,025,255,093	1,678,912,046	1,678,912,046
Trade and other receivables	5	593,417,558	593,417,558	451,266,601	451,266,601
Security deposit	7	26,458,224	25,782,163	20,649,401	19,570,069
		<u>2,645,130,875</u>	<u>2,644,454,814</u>	<u>2,150,828,048</u>	<u>2,149,748,716</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost:					
Interest-bearing loan	10	7,212,172,904	7,212,172,904	7,206,697,580	7,206,697,580
Security deposits	9	1,052,863,842	1,021,797,438	779,152,958	744,498,127
Accounts payable	8	197,854,085	197,854,085	460,332,383	460,332,383
Accrued expenses	8	482,385,265	482,385,265	240,679,842	240,679,842
Interest payable	8	8,055,636	8,055,636	8,055,636	8,055,636
		<u>8,953,331,732</u>	<u>8,922,265,328</u>	<u>8,694,918,399</u>	<u>8,660,263,568</u>

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 19.

### 20.2 Offsetting of Financial Assets and Financial Liabilities

Except when applicable for the offsetting of rental receivables and rental deposits arising from the normal course of the Company's leasing activities, the Company has not set off financial instruments and do not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

## 21. FAIR VALUE MEASUREMENT AND DISCLOSURE

### ***21.1 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### ***21.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The Company's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed only include cash and cash equivalents categorized as Level 1. All other financial assets and financial liabilities are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

### **21.3 Fair Value Measurement of Investment Properties**

As of December 31, 2024 and 2023, the Company's investment properties amounting to P73.0 billion and P59.0 billion, respectively, are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Company's investment properties (see Note 6) are determined on the basis of the appraisals performed by Cuervo Appraisers, Inc. in 2024 and Santos Knight Frank, Inc. in 2023. Both are independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. Briefly describing the valuation method used, the approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the properties. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Company's investment property is its current use.

Fair value as determined by both independent appraisers are based on the Income Approach. Under the Income Approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment. The most common approach in valuing future economic benefits of a projected income stream is the discounted cash flows model. This valuation process of this model consists of the following: (a) estimation of the revenues generated; (b) estimation of the costs and expenses related to the operations of the development; (c) estimation of an appropriate discount rate; and (d) discounting process using an appropriate discount rate to arrive at an indicative fair value. The most significant inputs used in this model are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

The fair value is sensitive to changes in discount rate, terminal capitalization rate and market rental. A change in these unobservable inputs would have the following impact on fair value:

	<u><b>Increase</b></u>	<u><b>Decrease</b></u>
Discount rate	Decrease	Increase
Terminal capitalization rate	Decrease	Increase
Increase in market rental	Increase	Decrease

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

Also, there were no transfers into or out of Level 3 fair value hierarchy.



## 22. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's total liabilities and total equity are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Total liabilities	<b>9,804,379,740</b>	9,312,561,087
Total equity	<b>66,289,666,703</b>	52,138,558,919

Under REIT Act, the Company is subject to external capital requirement to have a minimum paid-up capital of P300.0 million, which was complied with as of the reporting periods presented.

## 23. OPERATING SEGMENT

The Company has determined that it operates as one operating segment. The Company's only income-generating activity is the lease of its buildings, which is the measure used by the Chief Operating Decision Maker in allocating resources.

# **Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements**

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The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
MREIT, Inc.**

***(A Subsidiary of Megaworld Corporation)***

18th Floor, Alliance Global Tower  
36th Street cor. 11th Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of MREIT, Inc. (the Company) as at and for the year ended December 31, 2024 and have issued our report thereon dated February 20, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **PUNONGBAYAN & ARAULLO**



**By: John Endel S. Mata**  
Partner

CPA Reg. No. 0121347  
TIN 257-622-627  
PTR No. 10465907, January 2, 2025, Makati City  
BIR AN 08-002551-040-2023 (until January 24, 2026)  
BOA/PRC Cert. of Reg. No. 0002/P-012 (until August 12, 2027)

February 20, 2025

**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**List of Supplementary Information**  
**December 31, 2024**

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**Other Required Information**

Reconciliation of Retained Earnings Available for Dividend Declaration

Supplementary Schedule of External Auditor Fee-Related Information

Map Showing the Relationship Between the Company and its Related Entities

**MREIT, Inc.**  
***(A Subsidiary of Megaworld Corporation)***  
**Schedule A - Financial Assets**  
**December 31, 2024**

The Company does not have financial assets classified under fair value through other comprehensive income, fair value through profit or loss and held to maturity as of December 31, 2024.

**MREIT, Inc.**  
***(A Subsidiary of Megaworld Corporation)***  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**  
**(Other than Related Parties)**  
**December 31, 2024**

The Company does not have amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) above P1 million or 1% of total assets as of December 31, 2024.

MREIT, Inc.  
*(A Subsidiary of Megaworld Corporation)*  
Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated  
During the Consolidation of Financial Statements  
December 31, 2024

<i>Name and Designation of Debtor</i>	<i>Balance at Beginning of Period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Current</i>	<i>Not Current</i>	<i>Balance at End of Period</i>
			<i>Amounts Collected</i>	<i>Amounts Written Off</i>			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

MREIT, Inc.  
*(A Subsidiary of Megaworld Corporation)*  
Schedule D - Long-Term Debt  
December 31, 2024

<i>Title of Issue and Type of Obligation</i>		<i>Amount Authorized by Indenture</i>		<i>Amount shown under caption "Current portion of Interest-bearing loan" in related Balance Sheet</i>		<i>Amount shown under Caption "Non-current portion of Interest-bearing loan" in related Balance Sheet</i>
Long -term loan (Domestic)	P	7,250,000,000	P	-	P	7,212,172,904

MREIT, Inc.  
*(A Subsidiary of Megaworld Corporation)*  
Schedule E - Indebtedness to Related Parties (Long-term Loans from Related Companies)  
December 31, 2024

<i>Name of Related Party</i>	<i>Balance at Beginning of Period</i>	<i>Balance at End of Period</i>
N/A	N/A	N/A



MREIT, Inc.  
*(A Subsidiary of Megaworld Corporation)*  
Schedule F - Guarantees of Securities of Other Issuers  
December 31, 2024

<i>Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed</i>	<i>Title of Issue of Each Class of Securities Guaranteed</i>	<i>Total Amount Guaranteed and Outstanding</i>	<i>Amount Owned by Person for which Statement is Filed</i>	<i>Nature of Guarantee</i>
N/A	N/A	N/A	N/A	N/A

MREIT, Inc.  
(A Subsidiary of Megaworld Corporation)  
Schedule G - Capital Stock  
December 31, 2024

<i>Title of Issue</i>	<i>Number of Shares Authorized</i>	<i>Number of Shares Issued and Outstanding as shown under the related Balance Sheet Caption</i>	<i>Number of Shares Reserved for Options, Warrants, Conversion and other Rights</i>	<i>Number of Shares Held by</i>		
				<i>Related Parties</i>	<i>Directors, Officers and Employees</i>	<i>Others</i>
Common shares - P1 par value	5,000,000,000	3,721,983,381	-	2,390,047,781	10,001,000	1,321,934,600

**MREIT, INC.**  
**(A Subsidiary of Megaworld Corporation)**  
18th Floor, Alliance Global Tower,  
36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**December 31, 2024**

<b>Unappropriated Retained Earnings at Beginning of Year</b>		P	1,022,406,754
<b>Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings</b>			
Reversal of Retained Earning Appropriation/s	P	-	
Effect of restatements or prior-period adjustments		-	
Others		-	-
<b>Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings</b>			
Dividend declaration during the reporting period	(	2,763,110,271 )	
Retained Earnings appropriated during the reporting period		-	
Effect of restatements or prior-period adjustments		-	
Others		-	( 2,763,110,271 )
<b>Unappropriated Retained Earnings at Beginning of Year, as adjusted</b>		(	1,740,703,517 )
<b>Add/Less: Net Income (Loss) for the Current Year</b>			3,973,869,843
<b>Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>			
Equity in net income of associate/joint venture, net of dividends declared		-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		-	
Unrealized fair value gain of investment property	(	790,416,800 )	
Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under the PFRS	(	42,653,190 )	
Sub-total			( 833,069,990 )
<b>Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)</b>			
Realized foreign exchange gain, except those attributable to cash and cash equivalents		-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL		-	
Realized fair value gain of investment property		-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		-	
Sub-total			-
<b>Add: <u>Category C.3:</u> Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</b>			
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents		-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instrument at FVTPL		-	
Reversal of previously recorded fair value gain of investment property		-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded		-	
Sub-total			-
<i>Balance carried forward</i>			
<b>Adjusted Net Income/Loss</b>		P	3,140,799,853

*Balance brought forward*

**Adjusted Net Income/Loss**

P 3,140,799,853

**Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**

Depreciation on revaluation increment (after tax)

P -

Sub-total

-

**Add/ Less: Category E: Adjustments related to relief granted by the SEC and BSP**

Amortization of the effect of reporting relief

-

Total amount of reporting relief granted during the year

-

Others

-

Sub-total

-

**Add/ Less: Category E: Other items that should be excluded from the determination of the amount of available for dividends distribution**

Net movement of treasury shares (except for reacquisition of redeemable shares)

-

Net movement of deferred tax asset not considered in the reconciling items under the previous categories

-

Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable

-

Adjustment due to deviation from PFRS/GAAP - gain (loss)

37,480,908.00

Others

-

Sub-total

37,480,908

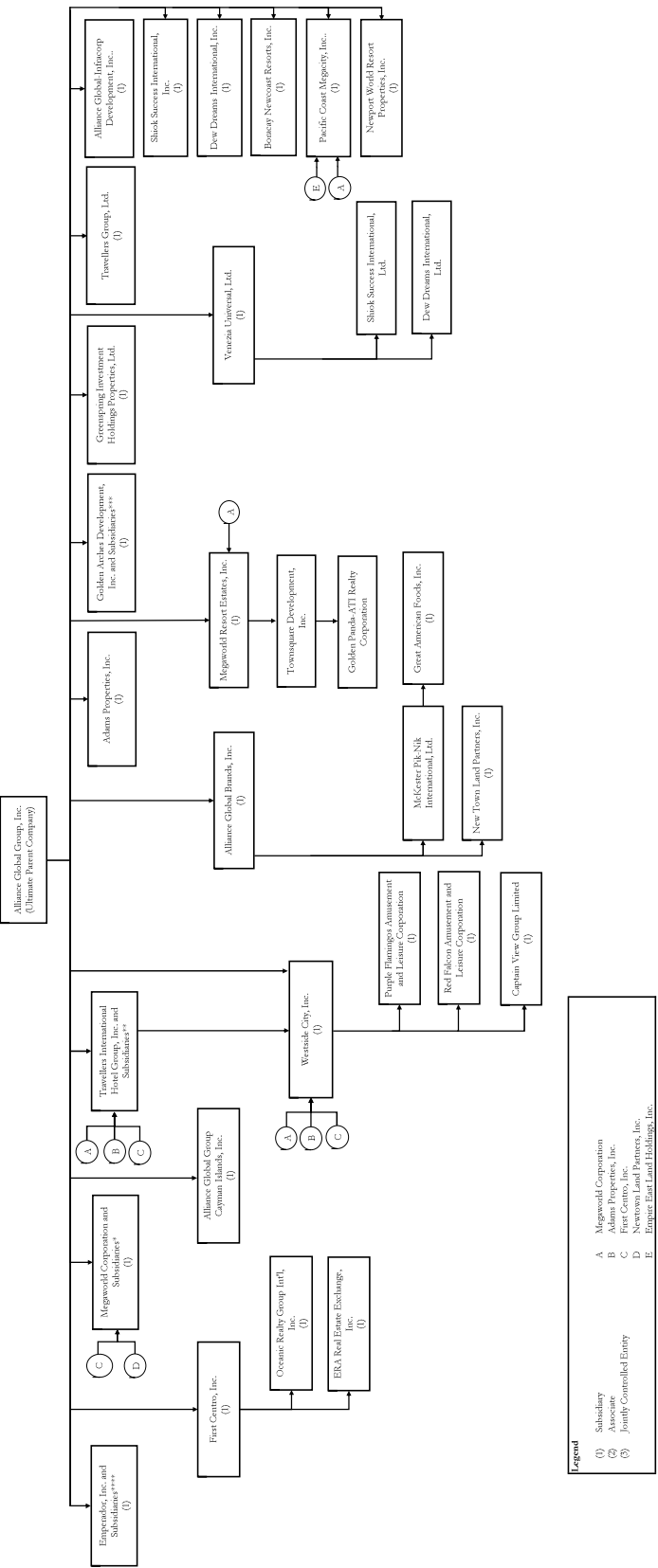
**Unappropriated Retained Earnings Available for Dividend Distribution at End of Year**

P 1,437,577,244

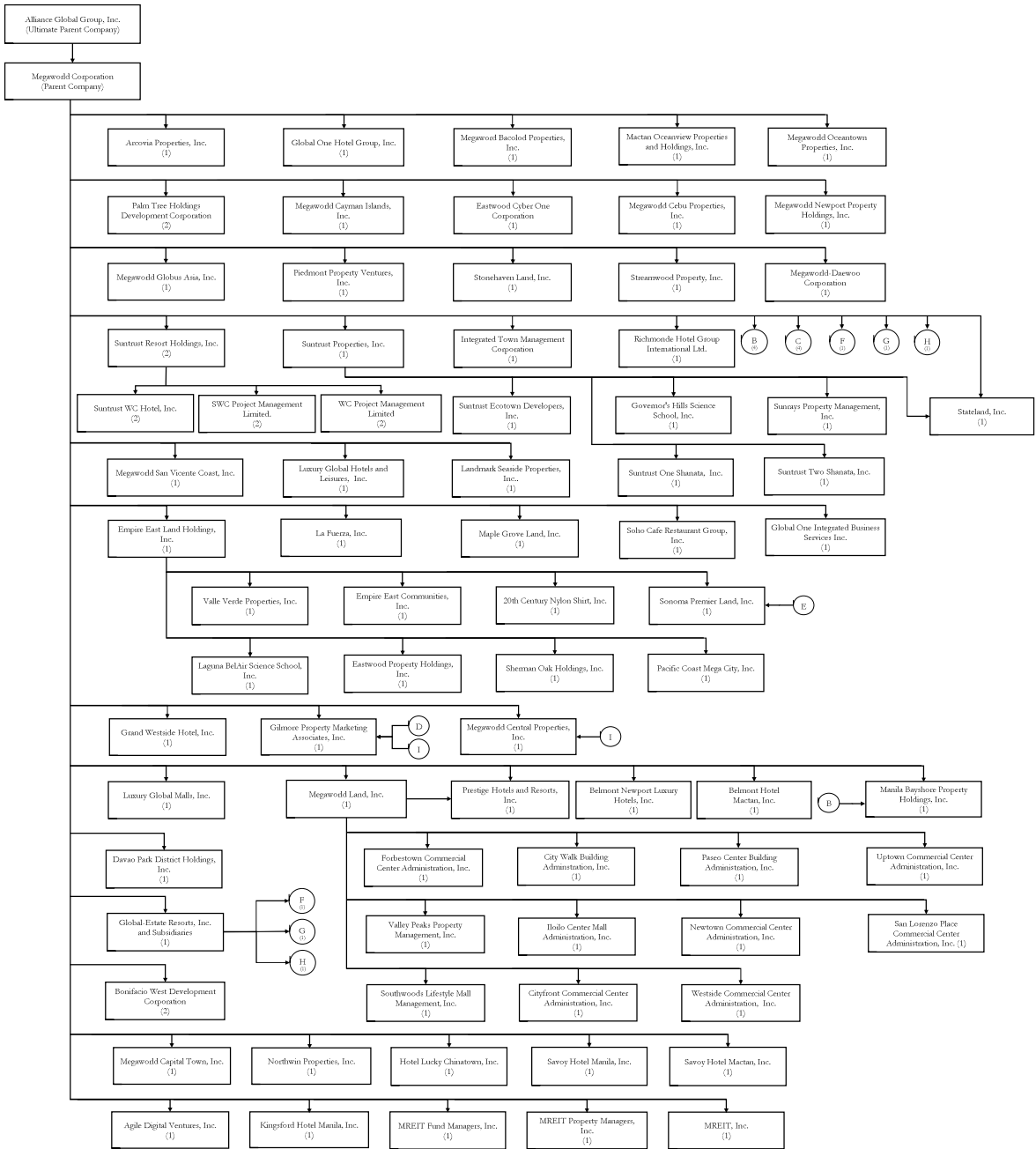
MREIT, INC.  
*(A Subsidiary of Megaworld Corporation)*  
**Supplementary Schedule of External Auditor Fee-Related Information**  
**For the Years Ended December 31, 2024 and 2023**  
*(Amounts in Philippine Pesos)*

	<u>2024</u>	<u>2023</u>
<b>Total Audit Fees</b>	<b>P 671,000</b>	P 610,000
Non-audit service fees:		
Other assurance service	-	-
Tax service	-	-
All other service	-	-
	<u>-</u>	<u>-</u>
<b>Total Audit and Non-audit Fees</b>	<b>P 671,000</b>	P 610,000
	<u>2024</u>	<u>2023</u>
<b>Audit and Non-audit fees of other related entities</b>		
Audit fees	<b>P -</b>	P -
Non-audit service fees:		
Other assurance service	-	-
Tax service	-	-
All other service	-	-
	<u>-</u>	<u>-</u>
<b>Total Audit and Non-audit Fees of other related entities</b>	<b>P -</b>	P -

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc.  
and its Related Parties  
December 31, 2024

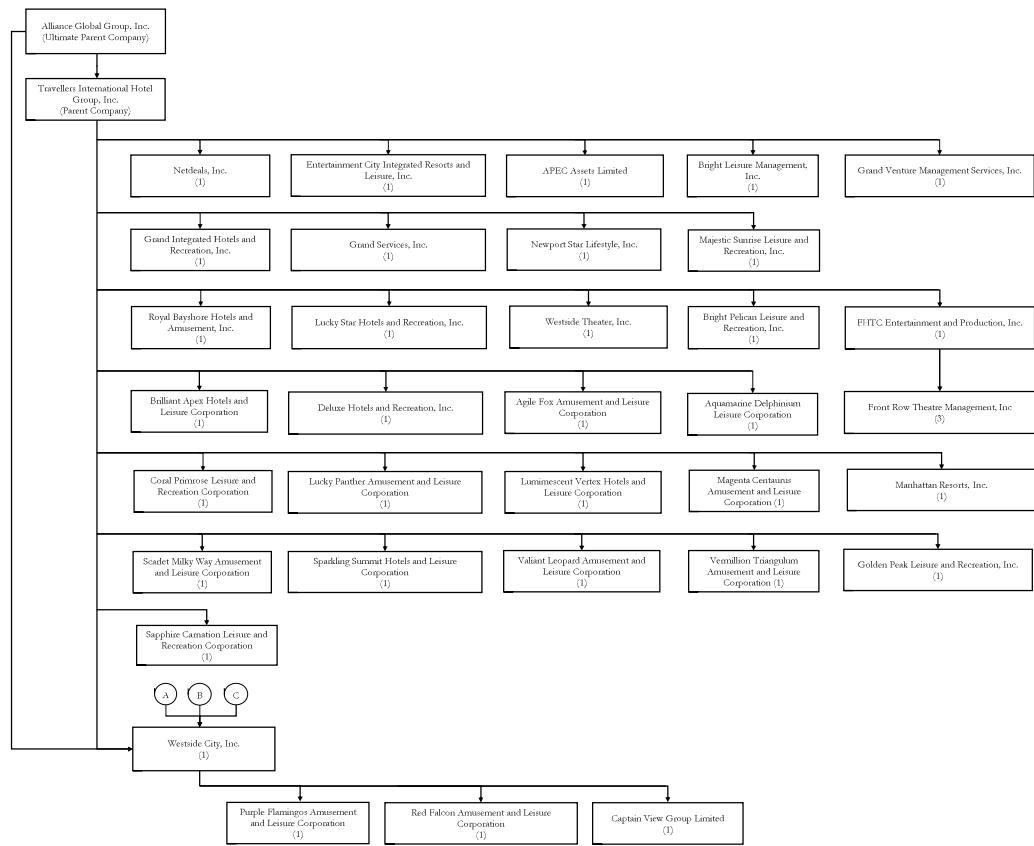


ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES  
Map Showing the Relationship Between Alliance Global Group, Inc.  
and Megaworld Corporation Group  
December 31, 2024



Legend			
Relationship with Megaworld Corporation			
(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
(4)	FVOCI		
A	Megaworld Corporation	F	Twin Lakes Corporation
B	Travelers International Hotel Group	G	Megaworld Global Estates, Inc.
C	Westside City, Inc.	H	Southwoods Mall, Inc.
D	Townsquare Development, Inc.	I	Empire East Land Holdings, Inc.
E	First Centro, Inc.		

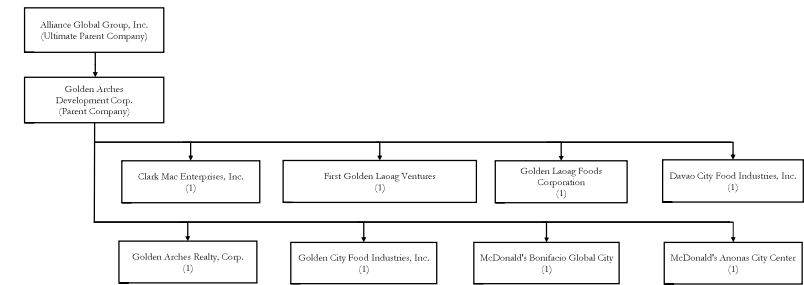
**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc.  
and Travellers Group  
December 31, 2024



Legend			
Relationship with Travellers International Hotel Group, Inc.			
(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
(4)	FVOCI		
A	Megaworld Corporation		
B	Adams Properties, Inc.		
C	First Centco, Inc.		
D	Newtown Land Partners, Inc.		
E	Travellers International Hotel Group, Inc.		
F	Manila Bayshore Property Holdings, Inc.		
G	Westside City, Inc.		
H	Townsquare Development, Inc.		
I	Megaworld Resort Estates, Inc.		
J	Empire East Land Holdings, Inc.		
J	Twin Lakes Corporation		
K	Megaworld Global Estates, Inc.		
L	Megaworld Central Properties, Inc.		
M	Shook Success International, Ltd.		
N	Dew Dreams International, Ltd.		
O	Southwoods Mall, Inc.		
P	Sonoma Premier Land, Inc.		
Q	Gilmore Property Marketing Associates, Inc.		
R	Empireador Inc.		
T	Summit Home Developers, Inc.		

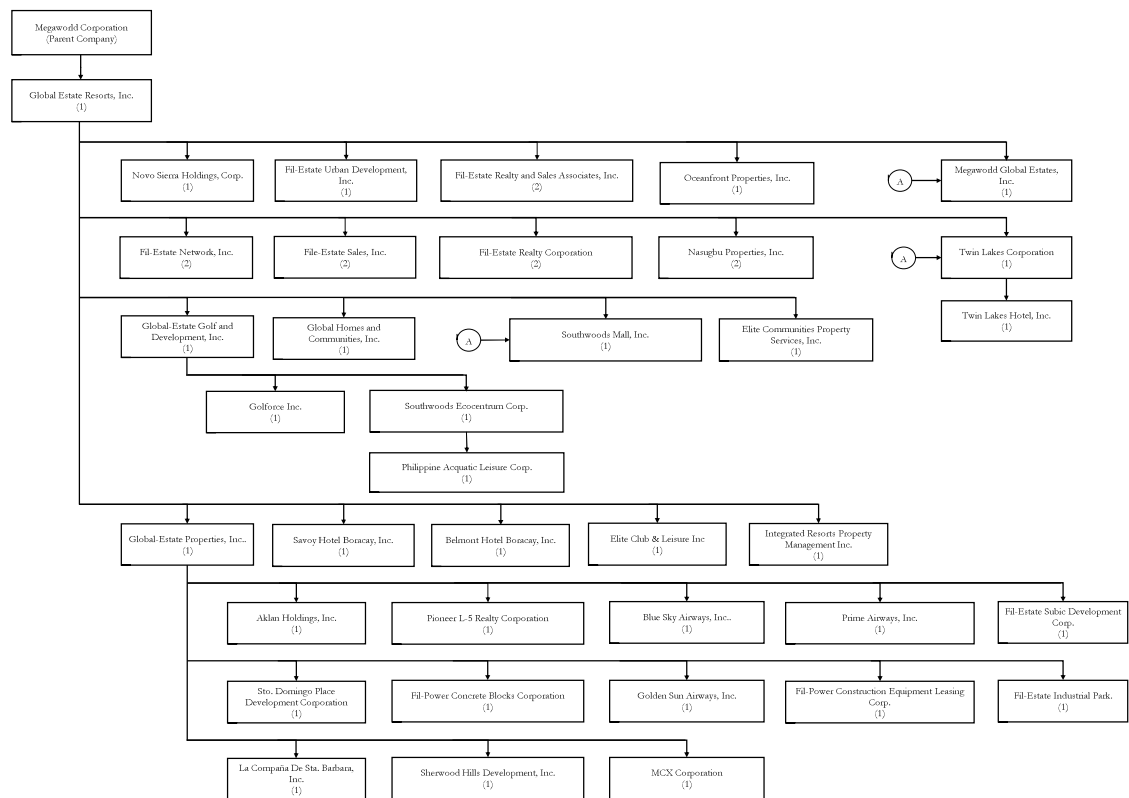


**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc.  
and Golden Arches Development Corporation Group  
December 31, 2024



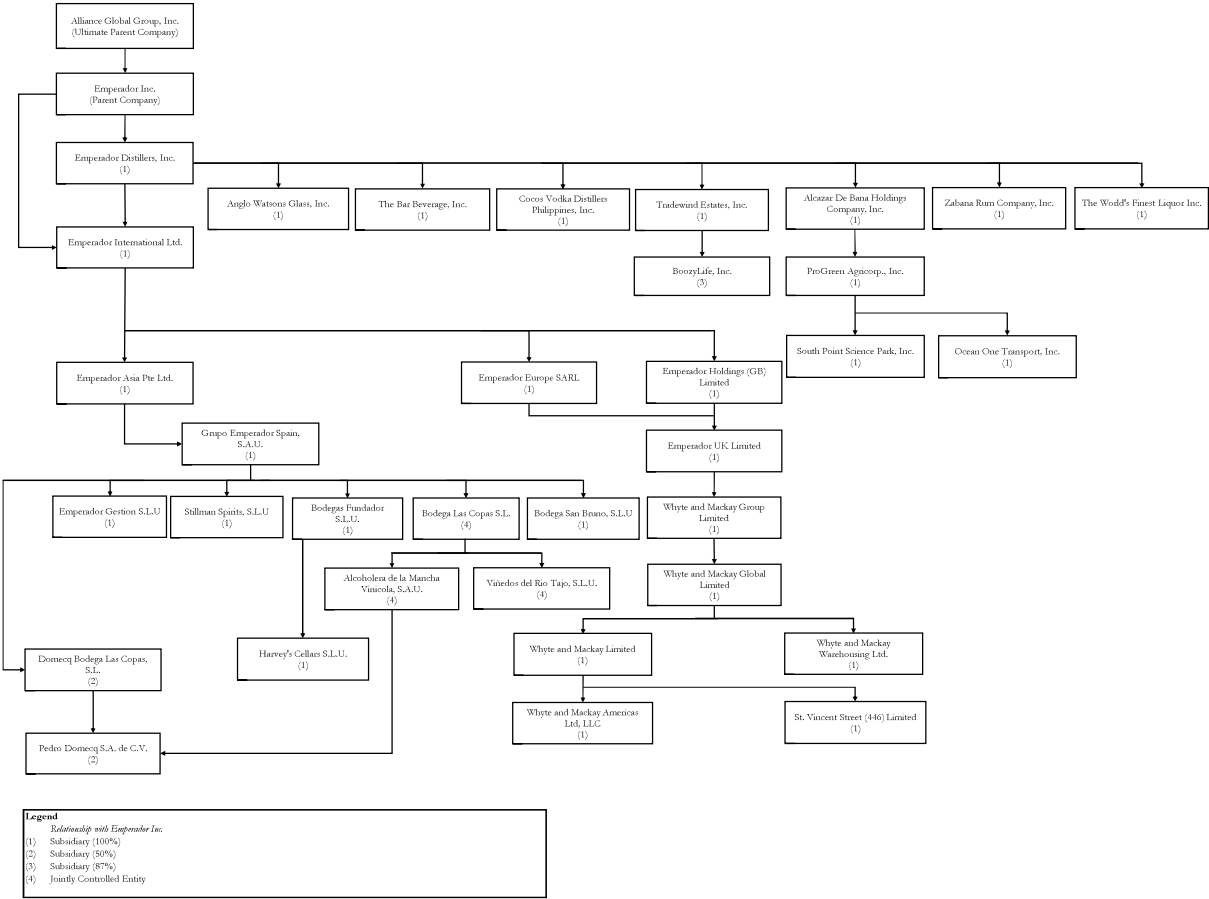
Legend	
Relationship with Golden Arches Development Corporation	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shook Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.
T	Suntrust Home Developers, Inc.

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between and  
Among Megaworld and Global Estate Resorts Inc. Group  
December 31, 2024



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travelers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Global Properties, Inc.
M	Shack Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilman Property Marketing Associates, Inc.
R	Empirestar Inc.
T	Suntrust Home Developers, Inc.

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc.  
and Emperador Group  
December 31, 2024



## **Report of Independent Auditors on Components of Financial Soundness Indicators**

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
MREIT, Inc.**

***(A Subsidiary of Megaworld Corporation)***

18th Floor, Alliance Global Tower  
36th Street cor. 11th Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of MREIT, Inc. (the Company) as at and for the year ended December 31, 2024 and have issued our report thereon dated February 20, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS Accounting Standards) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2024, 2023 and 2022 and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**



**By: John Endel S. Mata**  
Partner

CPA Reg. No. 0121347

TIN 257-622-627

PTR No. 10465907, January 2, 2025, Makati City

BIR AN 08-002551-040-2023 (until January 24, 2026)

BOA/PRC Cert. of Reg. No. 0002/P-012 (until August 12, 2027)

February 20, 2025

**MREIT, INC.**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
For the year ended December 31, 2024

Ratio	Formula	December 31, 2024	December 31, 2023	December 31, 2022
Current ratio	Current assets / Current liabilities	1.85	1.90	2.52
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)	1.63	1.68	2.16
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)	0.11	0.14	0.15
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.15	1.18	1.18
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)*	0.48	0.45	0.41
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)**	11.49	10.49	9.57
Return on equity	Net profit (loss) / Average total stockholders' equity	0.0538	0.0033	-0.0035
Return on assets	Net profit (loss) / Average total assets	0.0463	0.0028	-0.0030
Net profit margin	Net profit (loss) / Total revenues	0.7053	0.0405	-0.0484

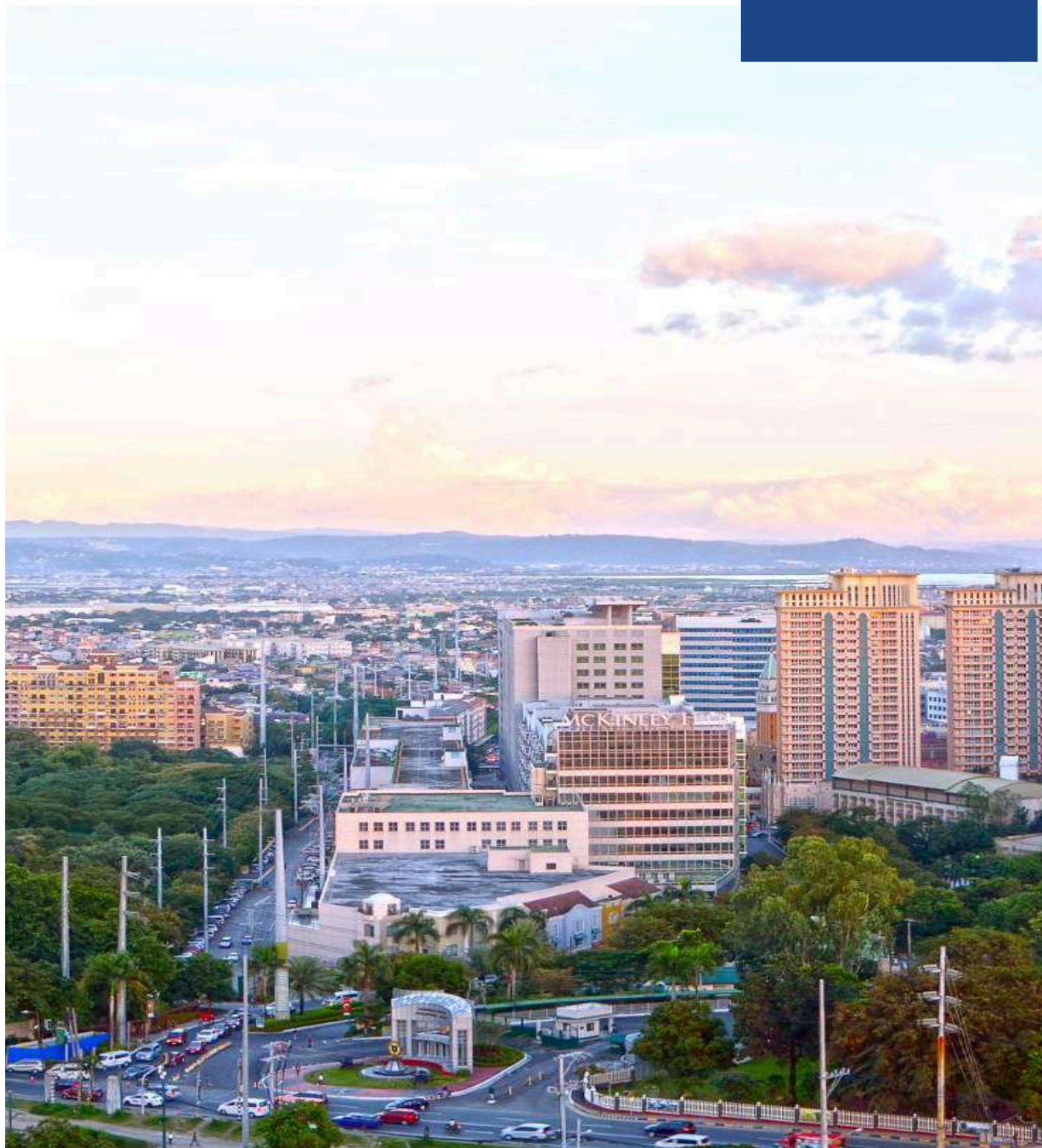
\*EBITDA refers to earnings before interest, taxes, depreciation, amortization and excludes net fair value change in investment properties

\*\*EBIT refers to earnings before interest and taxes and excludes net fair value change in investment properties

# 2024 Sustainability Report

SEC Form 17-A Annex

**M·REIT**  
A MEGAWORLD COMPANY



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## Contextual Information

Name of Organization	MREIT, Inc.
Location of Headquarters	18th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City
Location of Operation	Philippines
Report Boundary <i>Legal Entities (e.g. Subsidiaries) included in this Report</i>	MREIT is a subsidiary of Megaworld Corporation
Business Model, including Primary Activities, Brands, Products, and Services	MREIT, a Real Estate Investment Trust (REIT) sponsored by Megaworld Corporation, is a specialized investment vehicle primarily engaged in the acquiring and managing income-generating real estate properties. With a mandate to distribute a substantial portion of its earnings to shareholders, MREIT's business focuses on generating steady rental revenue through leasing premium commercial office spaces, primarily to business process outsourcing (BPO) companies and multinational corporations, complemented by retail and hospitality operations. As of December 31, 2024, MREIT's diverse portfolio comprises of 24 properties collectively offering approximately 482,000 square meters of gross leasable area (GLA), strategically situated in major urban developments and central business districts across the Philippines, including Eastwood City in Quezon City, McKinley Hill and McKinley West in Taguig City, Iloilo Business Park in Iloilo City, and Davao Park District in Davao City. MREIT manages premium-grade office buildings, retail establishments, and hotel properties with the goal of optimizing asset performance, maintaining high tenant satisfaction, and delivering sustainable financial returns to stakeholders.
Reporting Period	January 1, 2024 - December 31, 2024
Highest Ranking Person responsible for this report	Kevin Andrew L. Tan, President and CEO

The Board has general oversight over the sustainability-related risks and opportunities of the company. On 14 April 2025, MREIT's Board of Directors, under the auspices of the Corporate Governance Committee, convened to review and approve the submission of the company's Sustainability Report for the fiscal year ending 2024. This review underscores MREIT's dedication to transparency, accountability, and sustainable business practices, reaffirming its commitment to stakeholders and the broader community.



## Sustainability Strategy

MREIT's sustainability strategy is founded on a clear vision to integrate sustainability into every aspect of its operations, ensuring long-term value creation for its stakeholders, and guided by robust environmental, social, and governance (ESG) principles. The strategy reflects MREIT's dedication to responsible real estate investment, carefully balancing financial growth with environmental stewardship and social responsibility. Embedding sustainability into every aspect of its business enables MREIT to enhance resilience, increase tenant satisfaction, and foster thriving communities.

Aligned with its parent company, Megaworld Corporation, MREIT's sustainability strategy is structured around three interconnected pillars—People, Planet, and Prosperity—supported by the MEGreen program's Four Pillars: Sustainable Townships, Road to Zero Carbon, Inclusive Development, and Stakeholder Engagement. Sustainable Townships promote eco-friendly urban environments (Planet), while the Road to Zero Carbon targets both environmental sustainability and operational cost efficiency (Planet and Prosperity). Inclusive Development ensures community equity and social well-being (People), and Stakeholder Engagement promotes transparency, accountability, and shared value (Prosperity).



### Pillar 1: People

MREIT champions a people-first approach that elevates the individuals supporting its operations, fosters inclusive community development, and prioritizes the well-being of its customers. While the Company had no direct employees in 2023 and 2024, it upholds its commitment to human capital development and workplace well-being through its fund manager, MREIT Fund Managers, Inc. (MFMI). Through this structure, MREIT continues to promote a culture of inclusivity, uphold health and safety standards, and deliver transparent and responsive service to its stakeholders. The Company also remains steadfast in advancing inclusive community transformation and ensuring high standards of customer care, particularly in the areas of service quality, safety, and data privacy. People remain central to MREIT's sustainability agenda—whether through workforce engagement, community partnerships, or stakeholder experience.

## Employee Wellness &amp; Development

- **Human Rights, Diversity and Equal Opportunities, Employee Welfare, Workforce Health and Safety**

- Commitment to fostering an inclusive workplace that upholds human rights and provides equal opportunities for all employees.
- Supporting employee welfare through fund manager initiatives
- Promote well-being programs and workplace safety standards in alignment with sustainability goals.

## Inclusive Community Transformation

- **Community Relations**

- Strengthening engagement with local communities through inclusive development initiatives and sustainable development programs
- Enhancing MREIT's social license to operate by prioritizing community welfare and long-term impact initiatives.

## Customer Care

- **Customers, Data Privacy and Security**

- Ensuring high-quality customer service and satisfaction through compliance with safety and environmental standards
- Implementing data privacy and security protocols to protect stakeholders and maintain transparency in digital transactions

**Pillar 2: Planet**

MREIT is committed to environmental stewardship by adopting sustainable practices that reduce its carbon footprint, conserve natural resources, and promote eco-efficient operations across its real estate portfolio.

## Carbon Neutrality

- **Climate Change, GHG Emissions Management, Air Quality**

- Strategies to reduce greenhouse gas (GHG) emissions and transition toward climate-resilient real estate investments
- Implementation of air quality management programs to align with environmental regulations

## Resource Efficiency

- **Waste Management, Water Management, Energy Management**

- Adoption of responsible waste disposal methods and water conservation initiatives
- Energy-efficient technologies and renewable energy integration to enhance operational sustainability.

## Sustainable Building Operations

- **Green Building**

- Integration of green building principles into development projects to improve energy efficiency, reduce carbon emissions, and promote healthier, more sustainable indoor and outdoor environments

**Pillar 3: Prosperity**

MREIT aims to deliver sustainable economic growth while maintaining strong corporate governance and ethical standards. It supports national development by creating jobs, expanding market presence, and promoting business resilience.

## Impactful Growth

- **Economic Performance, Market Presence**

- *Ensuring stable revenue streams and expanding market presence through diversified property management*
- *Leveraging digital transformation to enhance operational efficiency and competitiveness*
- *Enhanced asset value, increased dividends, and strong returns driven by MREIT's strategic expansion.*

Good Governance

- **Enterprise Risk Management, Business Ethics and Integrity, Regulatory Compliance, Procurement Practices, Tax**

- *Strengthening corporate governance frameworks to maintain financial transparency and regulatory compliance*
- *Implementing responsible procurement policies and ethical business standards to uphold sustainability commitments*

## MREIT's Commitment to Sustainability

MREIT is actively advancing its sustainability agenda by embedding environmental, social, and governance (ESG) principles into its core operations. Through the MEGreen framework, the company supports all four of its foundational pillars. Under the Road to Zero Carbon initiative, MREIT has started transitioning to renewable energy sources, participated in reforestation programs, and undertaken voluntary carbon offset purchases. It plans to shift all contestable properties to renewable energy within the next two years.

Aligned with the Sustainable Townships pillar, MREIT is pursuing green building certifications for its assets within the coming year and upholding the Goal Zero Waste Management program to foster responsible consumption and waste reduction. Through the Inclusive Development pillar, MREIT collaborates with the Megaworld Foundation to support and uplift the communities in which it operates.

Under the Stakeholder Engagement pillar, MREIT remains committed to strengthening awareness and participation in its sustainability efforts. This includes learning sessions and volunteer programs for both internal and external partners. A key milestone was the company's first tree-growing activity, held in October 2024, paving the way for deeper stakeholder involvement in its environmental initiatives.

## Approach to Stakeholder Engagement

MREIT is committed to fostering meaningful and transparent relationships with both internal and external stakeholders. The company regularly engages with key groups ranging from management teams and seconded personnel to office tenants, retail and hospitality partners, local communities, suppliers, investors, and relevant government agencies to build trust and mutual understanding.

Understanding that stakeholder input plays a vital role in shaping its sustainability agenda, MREIT carries out targeted engagement initiatives to surface the most relevant environmental, social, and governance concerns. These touchpoints, conducted through a combination of face-to-face interactions and digital platforms, allow the company to listen actively and respond thoughtfully to stakeholder expectations and emerging issues.

## Sustainability Team

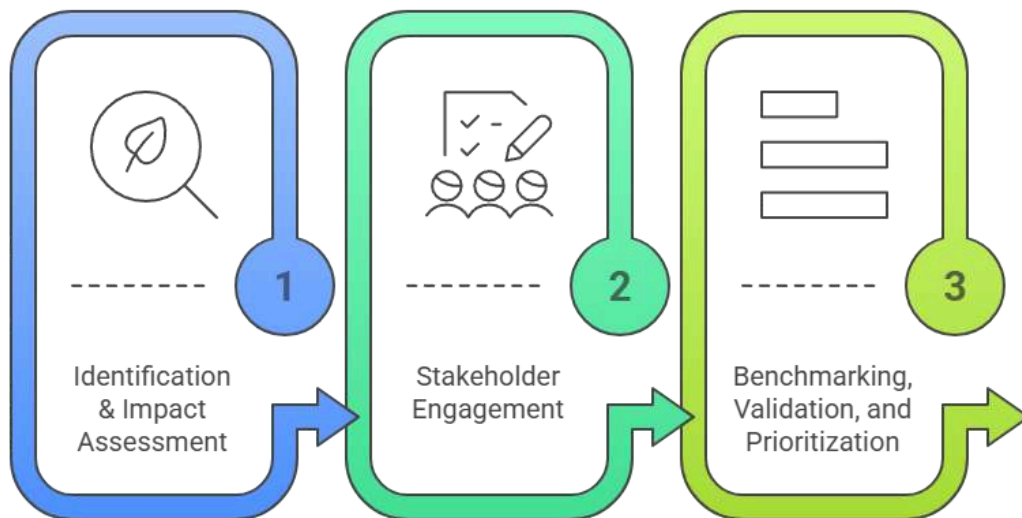
MREIT's sustainability initiatives are guided and implemented by Megaworld's Sustainability Team, whose members serve in seconded positions to support the Company's programs and strategic goals.

## Materiality Process

Understanding the most significant factors driving sustainability is fundamental to MREIT's business strategy. The Materiality Process is a structured framework to identify, assess, and manage critical economic, environmental, and social issues that may affect the company's long-term success and value creation for stakeholders. This process supports transparency, accountability, and continuous improvement, aligning with global best practices and regulatory standards, including the SEC's disclosure requirements.

In 2023, MREIT conducted a comprehensive review of its key business activities, risks, and impacts, which has been carried over into the 2024 sustainability report. This review included enhancing data management tools and systems to better track and measure the company's influence on the economy, environment, and society. The process involved proactive engagement with a broad range of stakeholders, including employees, customers, suppliers, investors, and local communities, ensuring that the identified material issues are aligned with stakeholder priorities and support sustainable, long-term value creation.

Key steps in the process include:



- **Identification & Impact Assessment:** A thorough review of economic, environmental, and social factors affecting MREIT's operations, stakeholders, and business outcomes. This review encompasses both positive contributions (e.g., achievements in energy efficiency, community development) and potential risks (e.g., regulatory compliance, climate change impacts) that require proactive management to mitigate adverse effects.
- **Stakeholder Engagement:** Continuous consultations with internal and external stakeholders, integrating their feedback into sustainability decision-making. Reinforcement of MREIT's commitment to inclusiveness and responsible business practices.

- **Benchmarking, Validation, and Prioritization:** Comparison of material topics against industry benchmarks, global standards, and regulatory requirements. Validation of key material issues to refine sustainability priorities based on their impact and stakeholder relevance.

This Materiality Process ensures that MREIT's sustainability strategy remains aligned with business objectives, regulatory requirements, and stakeholder expectations, reinforcing the company's commitment to responsible and sustainable growth.

### Unified Impact: An ESG Blueprint

In 2024, MREIT strengthened its sustainability strategy by categorizing its material topics within the framework of the SustainAGility pillars—People, Planet, and Prosperity. This thematic alignment enhances the company's ability to manage environmental, social, and governance (ESG) risks and opportunities, while reinforcing the clarity, comparability, and relevance of its disclosures. It also enables MREIT to better align with global sustainability frameworks and meet the expectations of its stakeholders.

Several updates were introduced to improve the accuracy and relevance of the material topics. Occupational Health and Safety was updated to Workforce Health and Safety to reflect a more inclusive and proactive view of employee well-being. Data Privacy was expanded to Data Privacy and Security in recognition of the increasing importance of cybersecurity alongside privacy protection. The topic of Accessibility was reframed as Green Building, emphasizing the company's efforts toward sustainable, inclusive, and efficient real estate development. Additionally, Community Relations and Enterprise Risk Management, which were discussed in previous reports, have now been formally included as material topics, reflecting their growing significance in MREIT's sustainability performance.

The following table outlines the organization of MREIT's material topics under the SustainAGility pillars:

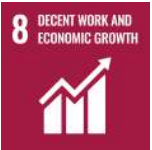



PEOPLE	PLANET	PROSPERITY
<ul style="list-style-type: none"> <li>● Human Rights</li> <li>● Diversity and Equal Opportunities</li> <li>● Employee Welfare</li> <li>● Workforce Health and Safety</li> <li>● Community Relations</li> <li>● Customers</li> <li>● Data Privacy and Security</li> </ul>	<ul style="list-style-type: none"> <li>● Climate Change</li> <li>● GHG Emissions Management</li> <li>● Air Quality</li> <li>● Waste Management</li> <li>● Water Management</li> <li>● Energy Management</li> <li>● Green Building</li> </ul>	<ul style="list-style-type: none"> <li>● Economic Performance</li> <li>● Market Presence</li> <li>● Enterprise Risk Management</li> <li>● Business Ethics and Integrity</li> <li>● Regulatory Compliance</li> <li>● Procurement Practices</li> <li>● Tax</li> </ul>

PEOPLE	PLANET	PROSPERITY
<div><div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div><div><div>5</div><div>GENDER EQUALITY</div></div><div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div></div> <div><div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div><div><div>10</div><div>REDUCED INEQUALITIES</div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div></div>	<div><div><div>6</div><div>CLEAN WATER AND SANITATION</div></div><div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div></div> <div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>13</div><div>CLIMATE ACTION</div></div><div><div>15</div><div>LIFE ON LAND</div></div></div>	<div><div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div><div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div></div> <div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div></div>


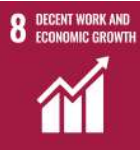

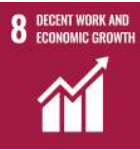
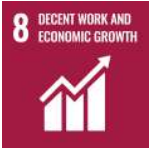

## United Nations Sustainable Development Goals

MREIT is dedicated to promoting clean energy transitions and integrating energy-efficient technologies into its properties. In addition to environmental sustainability, MREIT actively engages with communities through responsible business practices that promote human rights, diversity, and equal opportunity. The company's offerings include integrated commercial and office spaces that enhance business opportunities while supporting sustainable practices, and hospitality and retail developments that provide premium experiences with eco-friendly solutions.





Through these efforts, MREIT inspires others in the real estate and investment sectors to adopt sustainable practices, demonstrating that collective action can drive meaningful change.




Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
<b>Human Rights:</b> MREIT is committed to upholding human rights across its operations, ensuring that all individuals are treated with dignity, fairness, and respect.	<b>GRI 402:</b> Labor/Management Relations	<ul style="list-style-type: none"> <li>Employee Engagement &amp; Open Communication</li> <li>Fair Labor &amp; Human Rights Policies</li> <li>Employee Welfare &amp; Development</li> </ul>	<ul style="list-style-type: none"> <li>Potential exploitation risks in supply chains or contractors</li> </ul>	<ul style="list-style-type: none"> <li>Regular audits and supplier accreditation to ensure no forced or child labor</li> </ul>	 
<b>Diversity and Equal Opportunities:</b> By fostering an inclusive work environment, MREIT strengthens its corporate culture and enhances the overall well-being of its employees and stakeholders.	<b>GRI 405:</b> Diversity and Equal Opportunity	<ul style="list-style-type: none"> <li>Equal Employment Opportunities</li> <li>Inclusive Workplace Culture</li> <li>Fair Compensation and Career Growth</li> </ul>	<ul style="list-style-type: none"> <li>Potential discrimination in hiring and career advancement</li> </ul>	<ul style="list-style-type: none"> <li>Anti-discrimination policies; continuous employee diversity training and monitoring</li> </ul>	 








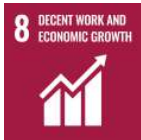

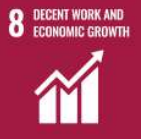


Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
<b>Employee Welfare:</b> MREIT ensures a supportive environment through comprehensive health and safety programs, competitive benefits, and career development opportunities.	<b>GRI 401:</b> Employment <b>GRI 404:</b> Training and Education <b>GRI 406:</b> Non-Discrimination	<ul style="list-style-type: none"> <li>Comprehensive Employee Benefits and Well-being Programs</li> <li>Continuous Learning and Career Development</li> <li>Commitment to Non-Discrimination and Equal Opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Stress and work-life balance issues due to high workload demands</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive employee well-being programs, including medical benefits, flexible arrangements, and ongoing training programs</li> </ul>	 
<b>Workforce Health and Safety:</b> MREIT prioritizes the safety and well-being of its workforce by implementing rigorous health and safety protocols across all operations, recognizing that a secure work environment strengthens both employee welfare and business resilience.	<b>GRI 403:</b> Occupational Health and Safety 2018	<ul style="list-style-type: none"> <li>Implementation of Workplace Safety Standards</li> <li>Employee Health and Well-being Programs</li> <li>Safe and Sustainable Workspaces</li> </ul>	<ul style="list-style-type: none"> <li>Workplace accidents or injuries impacting employee health</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of rigorous occupational safety standards, regular audits, and training</li> </ul>	 
<b>Community Relations:</b> By prioritizing inclusivity and collaboration, MREIT creates positive and lasting impacts that benefit both its stakeholders and the broader community.	<b>GRI 413:</b> Local Communities	<ul style="list-style-type: none"> <li>Economic Empowerment and Local Job Creation</li> <li>Sustainable Community Development Initiatives</li> <li>Stakeholder Engagement and</li> </ul>	<ul style="list-style-type: none"> <li>Community displacement or exclusion during property development</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive stakeholder engagement, inclusive community consultations, and sustainable development initiatives</li> </ul>	 


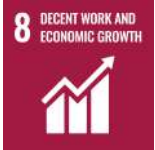

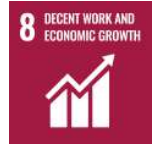



Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
		Social Responsibility			
<b>Data Privacy and Security:</b> MREIT enforces strict data protection policies and cybersecurity measures to prevent unauthorized access and ensure compliance, fostering trust among employees, tenants, investors, and business partners.	GRI 418: Customer Privacy	<ul style="list-style-type: none"> <li>Comprehensive Data Protection Policies</li> <li>Enhanced Cybersecurity and Risk Management</li> <li>Transparency and Customer Awareness</li> </ul>	<ul style="list-style-type: none"> <li>Risk of data breaches impacting trust and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced cybersecurity frameworks, continuous employee training, and regulatory compliance audits</li> </ul>	 
<b>Climate Change:</b> MREIT implements energy-efficient initiatives, carbon reduction strategies, and climate-resilient infrastructure to mitigate risks and contribute to a more sustainable future.	GRI 305: Emissions	<ul style="list-style-type: none"> <li>Carbon Emissions Reduction Initiatives</li> <li>Sustainable Building and Green Technologies</li> <li>Air Quality and Pollution Control</li> </ul>	<ul style="list-style-type: none"> <li>Increased operating costs due to climate adaptation requirements</li> </ul>	<ul style="list-style-type: none"> <li>Investment in climate-resilient infrastructure and adoption of green building standards</li> </ul>	 
<b>GHG Emissions Management:</b> MREIT monitors and mitigates its emissions to align with global sustainability standards and contribute to climate action.					
<b>Air Quality:</b> MREIT monitors and					

Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
reduces air pollutants to create healthier environments for tenants, employees, and communities.					
<b>Waste Management:</b> MREIT promotes responsible waste management by implementing efficient waste reduction, segregation, and recycling programs across its properties.	<b>GRI 306:</b> Waste	<ul style="list-style-type: none"> <li>• Efficient Waste Segregation and Recycling Programs</li> <li>• Reduction of Hazardous and Residual Waste</li> <li>• Sustainable Water and Effluent Management</li> </ul>	<ul style="list-style-type: none"> <li>• Improper waste disposal leading to environmental harm</li> </ul>	<ul style="list-style-type: none"> <li>• Waste reduction, segregation programs, and collaboration with accredited waste handlers</li> </ul>	 
<b>Water Management:</b> MREIT prioritizes efficient water management by implementing conservation initiatives, optimizing water usage, and integrating recycling systems across its properties.	<b>GRI 303:</b> Water and Effluents	<ul style="list-style-type: none"> <li>• Water Conservation and Efficiency Initiatives</li> <li>• Wastewater Treatment</li> <li>• Sustainable Water Resource Management</li> </ul>	<ul style="list-style-type: none"> <li>• Water scarcity impacting operations and community relations</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of water-saving technology, regular audits, and recycling measures</li> </ul>	

Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
<b>Energy Management:</b> MREIT is committed to optimizing energy efficiency by integrating sustainable practices, utilizing energy-efficient technologies, and transitioning to renewable energy sources.	<b>GRI 302:</b> Energy	<ul style="list-style-type: none"> <li>Energy Efficiency and Reduction Initiatives</li> <li>Sustainable Operations</li> <li>Adoption of Green Building Standards</li> </ul>	<ul style="list-style-type: none"> <li>Increased operational costs due to transition to renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Transitioning buildings to renewable energy and adopting energy efficiency technologies and standards</li> </ul>	 
<b>Green Building:</b> MREIT is committed to incorporating green building practices in its developments. This includes integrating energy-efficient systems, sustainable materials, and eco-friendly designs to minimize environmental impact.	<b>GRI 304:</b> Biodiversity	<ul style="list-style-type: none"> <li>Transition to renewable energy</li> <li>Integration of green building practices</li> </ul>	<ul style="list-style-type: none"> <li>Displacement of green spaces due to infrastructure expansion</li> </ul>	<ul style="list-style-type: none"> <li>Strategic property development, and enhancement of green spaces</li> </ul>	 
<b>Economic Performance:</b> MREIT's strong financial performance and strategic asset management drive investor confidence, support sustainable expansion, and ensure long-term value creation.	<b>GRI 201:</b> Economic Performance	<ul style="list-style-type: none"> <li>Sustained Revenue Growth and Investor Returns</li> <li>Sustainable Infrastructure Investments</li> </ul>	<ul style="list-style-type: none"> <li>Economic downturn impacting investor returns or employee job security</li> </ul>	<ul style="list-style-type: none"> <li>Diversified portfolio strategy, robust financial risk management, and stakeholder transparency</li> </ul>	

Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
<b>Market Presence:</b> MREIT strengthens its market presence through strategic property investments, high-quality developments, and strong tenant relationships.	<b>GRI 202:</b> Market Presence	<ul style="list-style-type: none"> <li>Expanding Presence in Key Economic Hubs</li> <li>Supporting Local Employment and Business Growth</li> <li>Strategic Investments in Sustainable and Resilient Properties</li> </ul>	<ul style="list-style-type: none"> <li>Over-concentration risks in specific market segments</li> </ul>	<ul style="list-style-type: none"> <li>Geographic and tenant diversification strategies</li> </ul>	 
<b>Enterprise Risk Management:</b> MREIT adopts a proactive approach to enterprise risk management by identifying, assessing, and mitigating potential risks that may impact its operations and stakeholders.	N/A	<ul style="list-style-type: none"> <li>Business continuity</li> </ul>	<ul style="list-style-type: none"> <li>Unanticipated operational disruptions from overlooked risks</li> </ul>	<ul style="list-style-type: none"> <li>Continuous monitoring, risk assessment processes, and mitigation planning</li> </ul>	 
<b>Business Ethics and Integrity:</b> MREIT upholds the highest standards of ethics and integrity by fostering a culture of transparency, accountability, and compliance.	<b>GRI 205:</b> Anti-Corruption	<ul style="list-style-type: none"> <li>Strict Anti-Corruption Policies and Compliance</li> <li>Comprehensive Ethics and Integrity Training</li> <li>Transparent Business Operations and Stakeholder Engagement</li> </ul>	<ul style="list-style-type: none"> <li>Potential corruption or ethical breaches harming reputation</li> </ul>	<ul style="list-style-type: none"> <li>Strict anti-corruption training, monitoring mechanisms, and transparency protocols</li> </ul>	

Material Topic and Description	Relevant GRI Indicators	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact	SDGs
<b>Regulatory Compliance:</b> MREIT adheres to all applicable laws, regulations, and industry standards to ensure responsible and ethical business operations.	<b>GRI 207:</b> Tax	<ul style="list-style-type: none"> <li>• Transparent and Responsible Tax Practices</li> <li>• Regulatory Compliance and Governance Strengthening</li> <li>• Contribution to National and Local Economic Growth</li> </ul>	<ul style="list-style-type: none"> <li>• Non-compliance penalties or legal issues affecting operations</li> </ul>	<ul style="list-style-type: none"> <li>• Regular compliance audits and continuous employee training</li> </ul>	
<b>Procurement Practices:</b> MREIT upholds fair, transparent, and sustainable procurement practices by prioritizing local suppliers, ethical sourcing, and quality standards.	<b>GRI 204:</b> Procurement Practices	<ul style="list-style-type: none"> <li>• Prioritization of Local Suppliers</li> <li>• Ethical and Sustainable Procurement Standards</li> <li>• Transparent and Accountable Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain disruptions or sustainability compliance issues</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritizing local and accredited suppliers, regular sustainability audits</li> </ul>	 
<b>Tax:</b> MREIT ensures full compliance with tax regulations, maintaining transparency and accountability in all financial transactions.	<b>GRI 207:</b> Tax	<ul style="list-style-type: none"> <li>• Responsible Tax Compliance and Transparency</li> <li>• Fair Tax Practices for Business Sustainability</li> <li>• Proactive Tax Risk Management and Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Tax compliance risks affecting financial and operational stability</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent tax reporting and proactive governance in tax compliance</li> </ul>	 

# ECONOMIC

## Economic Performance

MREIT delivered strong financial and operational performance in 2024, demonstrating its disciplined growth strategy and commitment to creating value. The company reported total revenues of Php 4,513 million, reflecting a 9% increase compared to Php 4,157 million in 2023. This growth was driven by the successful infusion of new income-generating assets, lease escalations, and strong occupancy across its portfolio. Additionally, net income from dues increased by 12%, reaching Php 1,049 million.

Distributable income saw a 12% year-on-year rise, reaching Php 3,178 million. This allowed MREIT to maintain its consistent dividend payouts, reinforcing its commitment to providing value to shareholders while supporting future growth initiatives.

Operating efficiency remained a priority, with direct operating costs rising by only 4%, amounting to Php 978 million. This reflects MREIT's ability to control expenses despite its expanded asset base while leveraging economies of scale. General and administrative expenses reached Php 93 million, mainly due to one-time filing fees related to the Wave 3 asset infusion processed with the Securities and Exchange Commission.

Net operating income improved by 9%, reaching Php 3,443 million, driven by continued revenue growth and cost control measures. Pre-tax income surged to Php 3,983 million from Php 181 million in 2023, primarily due to fair value gains from newly acquired properties. Profit after tax rose to Php 3,974 million.

MREIT's consistent earnings and reliable dividends underscore its focus on long-term value creation. The company remains committed to expanding its portfolio with high-quality commercial assets, further positioning itself as one of the most resilient and growth-oriented office REITs in the country.

## Direct Economic Value Generated and Distributed

Disclosure (in millions)	Unit	2022	2023	2024
Direct Economic Value Generated (Revenue)	Php	3,648.77	4,156.50	4,513.48
Direct Economic Value Distributed:				
a. Operating Costs	Php	667.38	936.07	546.06
b. Employee Wages and Benefits	Php	3.11	2.87	0.50
c. Payments to Suppliers, Other Operating Costs	Php	-	-	-
d. Dividends given to Stockholders and Interest Payments to Loan Providers	Php	2,733.90	3,027.34	3,275.7

Disclosure (in millions)	Unit	2022	2023	2024
e. Taxes given to Government	Php	47.47	76.41	82.61
f. Investments in Community (e.g., Donations, CSR)	Php	-	-	-

MREIT's total revenues reached Php 4,513 million in 2024, a 9% increase from Php 4,157 million in 2023. This growth was driven by the successful infusion of new income-generating assets and lease escalations across its portfolio. The company's operational strength and disciplined expansion strategy contributed to a steady rise in revenue.

In 2024, MREIT distributed Php 4,447.18 million in direct economic value to its stakeholders, a significant increase from the previous year. These distributions covered operating expenses, employee compensation, dividends to shareholders, and taxes paid to the government.

Operating costs decreased to Php 546.06 million, down from Php 936.07 million in 2023. This reduction demonstrates MREIT's strong cost discipline and operational efficiency despite an expanded asset base, supported by investments in property management systems and processes.

Employee wages and benefits declined to Php 0.50 million in 2024 from Php 2.87 million in 2023, reflecting a shift in cost allocation rather than a reduction in workforce support. Since 2022, MREIT has had no direct employees following the resignation of its two remaining staff. All personnel requirements have since been managed and provided by MFMI, through which salary-related costs are now fully accounted for. This arrangement enables MREIT to maintain operational efficiency while leveraging shared resources within the group.

Dividends and interest payments amounted to Php 3,275.7 million, emphasizing MREIT's dedication to providing consistent returns to investors, in line with its REIT mandate of distributing at least 90% of distributable income.

Taxes paid to the government increased to Php 82.61 million, reflecting the company's expanding income base and its contribution to national development.

While payments to suppliers and community investments were not separately reported in 2024, MREIT remains committed to enhancing transparency in these areas as part of its evolving sustainability strategy. This reinforces MREIT's role in fostering inclusive economic growth while fulfilling its obligations to shareholders, employees, and the government. Moving forward, the company remains focused on expanding its portfolio of high-quality, income-generating assets, strengthening its position as one of the country's most resilient and growth-driven office REITs.

### *Our Management Approach*

#### **Growth Beyond Numbers**

MREIT is committed to delivering long-term value to shareholders while positively impacting the broader economy. The company's financial strategy is built on stable, consistent revenue generation through long-term leasing with reputable BPO firms and

multinational corporations, ensuring reliable cash flows to meet its REIT mandate of dividend distribution.

MREIT's disciplined investment approach focuses on acquiring high-quality, income-generating assets in prime locations. By closely monitoring market trends and tenant demand, the company optimizes its portfolio to maximize returns. Operational efficiency remains a priority, with cost-control measures helping to maintain strong margins as the asset base grows.

The company emphasizes prudent financial management, ethical practices, and full regulatory compliance. Transparency in economic reporting, enhanced internal controls, and proactive risk management help mitigate financial and operational risks.

MREIT also integrates sustainability into its strategies through the MEGreen Program, which promotes energy efficiency and carbon neutrality across its portfolio. These environmental initiatives contribute to long-term asset value, reduce exposure to environmental risks, and solidify MREIT's position as a resilient leader in the Philippine REIT market.

### Climate-related risks and opportunities

MREIT recognizes the significant climate-related risks affecting its real estate investments, particularly those arising from extreme weather events such as typhoons, floods, and other climate-induced disruptions. These risks can adversely impact operational continuity, financial performance, and the overall value of its property portfolio. In response, MREIT has integrated sustainability into its core business strategy. This includes adopting green building standards, implementing energy-efficiency measures, reducing carbon emissions, and transitioning to renewable energy sources. These proactive measures not only help mitigate climate risks but also position MREIT to lower long-term operational costs and seize emerging opportunities in the growing market for sustainable properties.

TCFD Pillar	Disclosure
Governance	<p><b>Board Oversight:</b> The Board oversees climate-related financial risks, ensuring integration into the company's broader sustainability strategy. The Board annually reviews the financial impact of climate-related risks, including regulatory compliance and environmental costs.</p> <p><b>Senior Management Role:</b> Senior management implements climate-related financial risk strategy and ensures effective resource allocation to mitigate risks.</p>
Strategy	<p>Key climate-related risks and opportunities identified by the company include the following:</p> <p><i>Key Risks</i></p> <ul style="list-style-type: none"> <li>Physical risks: Extreme weather events (floods, typhoons) causing damage and operational disruptions.</li> <li>Regulatory risks: Rising compliance costs due to stricter emissions and energy efficiency regulations.</li> </ul> <p><i>Opportunities</i></p> <ul style="list-style-type: none"> <li>Renewable energy adoption, energy-efficient infrastructure, and green building investments.</li> </ul> <p><i>Risk Mitigation</i></p>



TCFD Pillar	Disclosure
	<ul style="list-style-type: none"> <li>Sustainable infrastructure upgrades, retrofitting properties, and energy-efficient technologies.</li> </ul>
Risk Management	<p>Climate Risks Managed Through:</p> <ul style="list-style-type: none"> <li>A comprehensive framework to assess and mitigate climate-related risks.</li> <li>Ongoing monitoring of physical and regulatory risks.</li> <li>Proactive compliance with environmental regulations, including audits and mitigation strategies such as infrastructure investments.</li> </ul> <p>Risk Prioritization: Prioritized risks based on operational impact and potential regulatory fines.</p>
Metrics and Targets	<p>Key Metrics:</p> <ul style="list-style-type: none"> <li>Tracking GHG emissions, energy consumption, adoption of renewable energy, and attainment of green building certifications</li> <li>Monitoring water usage and waste management practices</li> </ul> <p>Target Goals:</p> <ul style="list-style-type: none"> <li>Aims to achieve carbon neutrality by 2035, with significant progress toward renewable energy adoption and energy-efficient buildings by 2027.</li> <li>Future initiatives include enhancing energy efficiency and exploring renewable energy procurement to reduce environmental impact and safeguard against financial risks linked to fluctuating energy prices.</li> </ul>

## Procurement Practices

MREIT affirms its commitment to local economic development by allocating 100% of its procurement budget to local suppliers, fostering business growth, supporting employment generation, and stimulating economic activity within its areas of operation. This approach enhances the supply chain resilience, strengthens supplier reliability, and reduces transportation-related emissions, thereby contributing to both operational efficiency and environmental sustainability. Furthermore, it generates positive impacts across multiple stakeholder groups, including suppliers, investors, and host communities, by ensuring the continuity of high-quality service delivery and reinforcing MREIT's role as a catalyst for regional economic development.

### Proportion of Spending on Local Suppliers

Disclosure	Units	Quantity		
		2022	2023	2024
Percentage of Procurement Budget Used for Significant Locations of Operations that is Spent on Local Suppliers	%	100	100	100

MREIT has consistently demonstrated its commitment to supporting local economies by allocating 100% of its procurement budget to local suppliers across all significant locations of operation from 2022 to 2024. This approach continuously strengthens the company's supply chain, enhances operational efficiency, and fosters economic growth within its host communities. By prioritizing locally sourced goods and services, MREIT ensures reliability,

reduced transportation-related costs and emissions, and employment opportunities. This procurement strategy aligns with the company's sustainability objectives and reinforces its role in driving economic resilience while maintaining strong stakeholder relationships with suppliers, employees, and investors.

### *Our Management Approach*

#### **Building a Responsible Supply Chain**

MREIT ensures the effective management of its local procurement strategy by prioritizing partnerships with local suppliers to strengthen economic resilience and operational efficiency. The company upholds stringent procurement policies that emphasize transparency, quality assurance, and sustainability, supported by regular audits and supplier assessments to ensure compliance with industry standards. The Procurement and Sustainability Teams oversee these efforts, ensuring alignment with corporate governance principles and environmental commitments. In 2024, MREIT continues to enhance its supplier engagement programs, focusing on capacity-building initiatives to improve supply chain reliability and build long-term partnerships. Looking ahead, the company remains committed to expanding local supplier collaborations, integrating more sustainable sourcing practices, and exploring opportunities to further contribute to local economic development while minimizing environmental impact.

#### **Anti-Corruption**

MREIT upholds the highest standards of ethics and integrity by implementing strict anti-corruption policies across its operations, supply chain, and business dealings. It employs a strong anti-corruption framework that fosters transparency, enhances investor confidence, and ensures compliance with regulatory requirements, positively impacting employees, suppliers, investors, and customers. By maintaining zero tolerance for corruption, MREIT safeguards its reputation and financial stability while promoting fair business practices. Any lapses in governance could pose risks such as legal penalties and reputational damage, making continuous monitoring and strict enforcement essential. Through ongoing training and compliance measures, MREIT remains committed to fostering a culture of accountability and ethical business conduct.

#### **Training on Anti-Corruption Policies and Procedures**

Disclosure	Unit	Quantity		
		2022	2023	2024
Percentage of Employees to whom the Organization's Anti-Corruption Policies and Procedures have been Communicated To	%	100	0	0
Percentage of Business Partners to whom the Organization's Anti-Corruption Policies and Procedures have been Communicated To	%	100	0	0

Disclosure	Unit	Quantity		
		2022	2023	2024
Percentage of Directors and Management that have Received Anti-Corruption Training	%	100	0	0
Percentage of Employees that have Received Anti-Corruption Training	%	100	0	0

*\*Training related to anti-corruption is done through employee onboarding activities.*

Restatement: In 2023, the data for employee-related anti-corruption training and policy communication was revised from 100% to 0% to accurately reflect the absence of direct employees under MREIT. Beginning in 2023, all personnel supporting MREIT's operations have been employed under MFMI and are no longer classified as employees of MREIT. Anti-corruption training and onboarding for these seconded personnel are now administered by MFMI in accordance with its governance and compliance framework.

### Incidents of Corruption

Disclosure	Unit	Quantity		
		2022	2023	2024
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0	0
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	#	0	0	0
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	#	0	0	0
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0	0

MREIT maintains a strong commitment to ethical business practices and transparency, as demonstrated by its comprehensive anti-corruption policies and governance framework. In 2022, 100% of employees, business partners, directors, and management received communication regarding the Company's anti-corruption policies and procedures, with all employees and key personnel undergoing the required training.

Beginning in 2023, following the full transition of its workforce to MFMI, MREIT no longer had direct employees. As a result, no employee-related training data was reported for 2023 and 2024. Nonetheless, anti-corruption policies continue to be upheld and communicated to directors, management, and business partners, and related training is administered through MFMI for seconded personnel supporting MREIT operations.

MREIT's proactive approach to compliance has resulted in zero reported incidents of corruption from 2022 to 2024, including dismissals, disciplinary actions, or contract terminations related to unethical conduct.

#### *Our Management Approach*

##### **Ensuring a Corruption-Free Organization**

MREIT upholds a robust anti-corruption framework that promotes transparency, accountability, and ethical business conduct across all levels of its operations. The Company enforces a zero-tolerance policy on corruption, guided by its established governance policies and aligned with regulatory requirements and international best practices.

While MREIT no longer had direct employees starting in 2023, anti-corruption principles continue to be implemented through MFMI, which provides seconded personnel to support the Company's day-to-day operations. These individuals undergo training and onboarding programs administered by MFMI that include awareness of MREIT's anti-corruption standards and compliance expectations.

Regular compliance monitoring, internal audits, and due diligence processes for business engagements are conducted to mitigate corruption-related risks. Oversight of these efforts is provided by MREIT's Compliance and Risk Management Teams in coordination with senior leadership and the Board. In 2024, the Company continued to strengthen its governance initiatives by reinforcing its engagement with business partners, integrating ethical screening protocols, and updating compliance procedures.

Moving forward, MREIT remains committed to enhancing its anti-corruption measures, strengthening third-party compliance practices, and fostering a corporate culture anchored in integrity, accountability, and ethical responsibility.

## **ENVIRONMENT**

### **Resource Management**

#### **Energy Consumption of the Organization**

MREIT recognizes the critical role of energy consumption in supporting its operations and advancing its sustainability goals. While increased energy use enables business growth and operational efficiency, it also contributes to higher costs and a greater environmental footprint. Energy consumption within MREIT's properties and facilities directly influences operational sustainability, supply chain performance, and compliance with environmental regulations.

The Company acknowledges that effective energy management has far-reaching implications for key stakeholders—including investors, tenants, suppliers, and service providers—as optimized consumption contributes to cost efficiency, environmental responsibility, and the long-term value of its assets. By continuously enhancing energy efficiency, adopting sustainable operational practices, and exploring renewable energy solutions, MREIT remains committed to balancing operational requirements with its broader goal of environmental stewardship.

Disclosure	Unit	2022	2023	2024
Renewable Resources	GJ	-	-	-
Gasoline	GJ	-	-	-
LPG	GJ	1,421.10	662.09	938.50
Diesel (Stationary)	GJ	6,543.88	9,132.60	12,101.98
Diesel (Mobile)	GJ	-	3.48	45.29
Electricity	GJ	53,444.40	80,305.98	139,176.74
<b>Total</b>	<b>GJ</b>	<b>61,409.38</b>	<b>90,104.16</b>	<b>152,262.51</b>

*Restatement: Data restatement under Energy Use within the organization. Data from 2022 and 2023 included energy use of tenants and customers, which in definition under GHG protocol should fall under Energy Use Outside the Organization. A separate table for energy use outside the organization was added below.*

MREIT remains committed to responsible energy management, as reflected in its ongoing efforts to monitor and optimize energy use across its portfolio. MREIT remains committed to responsible energy management, as reflected in its ongoing efforts to monitor and optimize energy usage across its portfolio. In 2024, total energy consumption reached 152,262.51 GJ, marking a significant increase from 90,104.16 GJ in 2023 and 61,409.38 GJ in 2022. This upward trend is primarily attributed to the continued expansion of MREIT's operations and the growing number of properties under its management.

The Company expanded from 14 properties with over 280,000 square meters of gross leasable area (GLA) in 2022 to 18 properties with 325,000 square meters of GLA in 2023 and 24 properties with a total GLA of around 482,000 square meters in 2024. The increase in energy consumption, particularly in electricity, which rose to 139,176.74 GJ in 2024, directly reflects the higher operational demands associated with this expanded portfolio.

Diesel (stationary) consumption also increased significantly to 12,101.98 GJ, supporting backup power operations for additional buildings. Meanwhile, LPG consumption rose to 938.50 GJ due to heightened operational activity at Richmonde Hotel Iloilo, particularly for food service functions. The inclusion of mobile diesel consumption (45.29 GJ in 2024) further reflects enhanced data coverage, particularly from service vehicle usage.

MREIT has yet to record consumption from renewable energy sources, but the Company has taken proactive steps toward energy transition. In partnership with its parent company, Megaworld, MREIT entered into a Power Purchase Agreement (PPA) with MPower under the Retail Competition and Open Access (RCOA) framework. This agreement secures an advanced supply of renewable energy, with contestable properties expected to begin shifting to renewable energy sources starting March 2025.

These efforts underscore MREIT's commitment to environmental sustainability and its roadmap toward improved energy efficiency, reduced emissions, and long-term operational resilience.

## Energy Consumption Outside of the Organization

As part of its continuous improvement in data accuracy and transparency, MREIT has restated its energy use disclosures by separating energy consumption attributable to Downstream Leased Assets—primarily referring to tenant operations—from its organizational footprint. Beginning in 2023, tenant energy use and associated fuel consumption are now reported under this section, in accordance with GHG Protocol guidance and industry best practices.

Disclosure	Unit	2022	2023	2024
Renewable Resources	GJ	-	-	-
Gasoline	GJ	-	-	237.64
LPG	GJ	-	-	-
Diesel (Stationary)	GJ	-	-	-
Diesel (Mobile)	GJ	-	6.05	11.59
Electricity	GJ	188,890.73	251,270.76	318,072.80
<b>Total</b>	<b>GJ</b>	<b>188,890.73</b>	<b>251,276.81</b>	<b>318,322.04</b>

In 2024, total energy consumption outside of the organization reached 318,322.04 GJ, up from 251,276.81 GJ in 2023 and 188,890.73 GJ in 2022. This increase aligns with MREIT's portfolio expansion and higher occupancy levels across its properties. The rising energy demand reflects the continued leasing of commercial spaces, resulting in greater tenant-driven utility usage.

The majority of this consumption is attributable to electricity use by tenants, which rose to 318,072.80 GJ in 2024, representing more than 99% of total energy use in this category. Additionally, mobile diesel use by tenants increased from 6.05 GJ in 2023 to 11.59 GJ in 2024, while gasoline consumption was recorded for the first time at 237.64 GJ, further illustrating improved coverage of tenant-related energy activities.

No data is currently available for renewable energy, LPG, or stationary diesel consumption outside the organization, but MREIT continues to refine its reporting systems to improve visibility into tenant operations. These efforts reinforce the Company's broader commitment to accurate scope classification and holistic sustainability performance tracking.

## Reduction of Energy Consumption

Disclosure	Unit	2022	2023	2024
Renewable Resources	GJ	Not Available	Not Available	Not Available
Gasoline	GJ	Not Available	Not Available	Not Available
LPG	GJ	Not Available	Not Available	Not Available

Diesel	GJ	Not Available	Not Available	Not Available
Electricity	kWh	Not Available	Not Available	Not Available

MREIT remains committed to energy efficiency and conservation as a key component of its environmental sustainability strategy. While specific reduction data for renewable resources, gasoline, LPG, diesel, and electricity remains unavailable for the reporting period from 2022 to 2024, the Company continues to enhance its monitoring systems and reporting capabilities to capture measurable reductions in the future.

The absence of historical reduction metrics reflects the current limitations in tracking disaggregated energy-saving initiatives across its properties. Nonetheless, MREIT has implemented operational practices aimed at optimizing electricity use and minimizing reliance on fossil fuels, especially in common areas and building systems.

As part of its ongoing initiatives, MREIT is strengthening its data collection frameworks, improving real-time energy monitoring, and preparing for the transition to renewable energy sources beginning in 2025. These measures are expected to improve visibility over energy-saving outcomes and support the development of reduction targets aligned with the Company's long-term sustainability goals.

Moving forward, MREIT will continue to prioritize energy conservation, explore innovative solutions for efficiency improvements, and adopt cleaner energy alternatives to reduce its overall environmental footprint and enhance operational resilience.

#### *Our Management Approach*

##### **Green Energy, Brighter Future**

MREIT continues to strengthen its energy management framework by prioritizing efficiency, sustainability, and full compliance with national energy and environmental regulations. The Company implements energy conservation policies that focus on optimizing electricity and fuel consumption across its operations, supported by internal audits, performance tracking systems, and data-driven decision-making.

Oversight of energy management is led by the Facilities and Sustainability Teams, which ensure that all initiatives are aligned with corporate sustainability objectives and evolving regulatory requirements. In 2024, MREIT expanded on prior efforts by integrating advanced energy-efficient technologies and pursuing further operational enhancements to reduce energy intensity.

As part of its broader decarbonization strategy, MREIT entered into a Power Purchase Agreement (PPA) under the Retail Competition and Open Access (RCOA) framework. This agreement secures a dedicated supply of renewable energy for its contestable properties beginning in 2025. The initiative reflects MREIT's proactive approach to sustainable energy procurement and underscores its long-term commitment to reducing emissions, improving cost efficiency, and contributing to national clean energy goals.

## **Water and Effluents**

MREIT recognizes the critical importance of responsible water management and effluent control in achieving sustainable operations and reducing environmental impact. Water consumption and wastewater discharge directly affect building operations, supply chain

processes, and surrounding communities, necessitating resource efficiency, regulatory compliance, and sound environmental stewardship.

Efficient water use contributes to cost savings, operational reliability, and a reduced environmental footprint, while excessive consumption and improper discharge practices may pose environmental and reputational risks. Key stakeholders, including tenants, employees, suppliers, and investors, benefit from MREIT's efforts to implement sustainable water management practices across its properties.

Through continuous monitoring, investment in water-saving technologies, and adherence to centralized wastewater treatment protocols across the townships, MREIT remains committed to optimizing water consumption and mitigating its environmental footprint.

Disclosure	Unit	Quantity		
		2022	2023	2024
Water Withdrawal	ML	744.07	1,425.64	605.78
Water Consumption	ML	186.02	356.41	151.45
Water Recycled and Reused	ML	Not Available	Not Available	Not Available
Total Volume of Water Discharges	ML	558.05	1,069.23	454.33
Percent of Wastewater Recycled	%	Not available	Not available	Not Available

*Note: Water consumption is estimated to be 25% of the total water withdrawal, while the remaining 75% is discharged through the centralized sewage treatment facilities of each township where MREIT buildings are located.*

In 2024, total water withdrawal was recorded at 605.78 ML, a decrease from 1,425.64 ML in 2023, reflecting improved operational efficiencies and potentially lower occupancy in select properties. Water consumption followed the same trend, decreasing from 356.41 ML in 2023 to 151.45 ML in 2024. Total wastewater discharged was estimated at 454.33 ML in 2024.

Although data on water recycling and reuse remains unavailable, MREIT continues to explore opportunities for water conservation, including the integration of low-flow fixtures, enhanced monitoring systems, and potential graywater reuse applications in future developments. These initiatives form part of the Company's broader commitment to environmental sustainability and resource efficiency.

### *Our Management Approach*

#### **Every Drop Matters**

MREIT continues to build on its water and effluent management strategies, prioritizing efficient water consumption and responsible wastewater treatment across its operations. The company upholds strict water conservation policies and implements regular monitoring and reporting mechanisms to track consumption, withdrawals, and discharges. The Facilities and Sustainability Teams oversee compliance with regulatory



requirements, ensuring that water use aligns with sustainability goals and industry best practices. In 2024, MREIT is further enhancing its efforts by exploring water recycling initiatives, optimizing wastewater management systems, and integrating water-efficient technologies within its properties. Looking ahead, the company remains committed to expanding its conservation programs, investing in infrastructure upgrades, and strengthening stakeholder collaboration to minimize environmental impact and enhance long-term water resource sustainability.

## Materials Used by the Organization

MREIT ensures responsible material usage by minimizing resource consumption and prioritizing sustainable procurement practices within its operations. The materials used, primarily in property maintenance and office operations, impact supply chain efficiency, environmental sustainability, and operational costs. While efficient material use supports waste reduction and cost savings, excessive consumption may contribute to environmental degradation. Employees, suppliers, investors, and tenants are directly affected, as responsible material management enhances operational efficiency, reduces environmental impact, and aligns with sustainability commitments. By continuously optimizing resource use and exploring eco-friendly alternatives, MREIT reinforces its commitment to sustainable business practices while ensuring long-term value for its stakeholders.

Disclosure	Unit	2022	2023	2024
Materials Used by Weight/Volume		-	-	-
Renewable	Kg	228.67	Not Available	217.55
Non-Renewable	Kg	11,127.85	Not Available	16,625.63
Percentage of Recycled Input Materials Used to Manufacture the Organization's Primary Products and Services	%	Not Available	Not Available	Not Available

MREIT continues to monitor and optimize material consumption to align with its sustainability objectives. In 2024, renewable material usage was recorded at 217.55 kg, reflecting a slight decrease from previous years, while non-renewable material consumption increased to 16,625.63 L, highlighting ongoing operational requirements. Data on the percentage of recycled input materials remains unavailable. Although MREIT primarily operates as a leasing business with minimal direct material use, the company remains committed to improving resource efficiency and exploring sustainable alternatives to reduce environmental impact and promote responsible consumption across its operations.

## Environmental Impact

### GHG and Air Emissions

MREIT acknowledges the impact of greenhouse gas (GHG) emissions on environmental sustainability and actively monitors its emissions to minimize its carbon footprint. GHG emissions primarily result from building operations and energy consumption, influencing regulatory compliance, sustainability performance, and the company's overall environmental impact. While reducing GHG emissions enhances environmental responsibility and supports global sustainability goals, excessive emissions can contribute to climate change and pose regulatory risks. Employees, tenants, investors, and surrounding communities are directly impacted, as reducing GHG emissions supports long-term health, well-being, and asset value. MREIT remains committed to improving energy efficiency, transitioning to renewable energy sources, and implementing emission-reduction strategies to mitigate its environmental impact and foster sustainable growth.

#### GHG Emissions

Disclosure	Unit	Quantity		
		2022	2023	2024
Direct (Scope 1) GHG Emissions	Tonnes CO <sub>2</sub> e	544.22	684.64	918.13
Energy indirect (Scope 2) GHG Emissions	Tonnes CO <sub>2</sub> e	10,570.10	15,851.10	27,471.23
Other Indirect (Scope 3) GHG Emissions	Tonnes CO <sub>2</sub> e	42,828.31	56,810.02	78,154.13

MREIT's direct GHG emissions (Scope 1) primarily result from the fuel used to operate generator sets. The upward trend in Scope 1 emissions is due to the addition of new properties to the company's portfolio this year. Excluding the new properties, emissions from fuel decreased slightly by 3.60 tCO<sub>2</sub>e, attributed to operational adjustments and improvements in generator set maintenance. Additionally, fuel consumption at Iloilo properties increased due to power interruptions in Panay Island earlier this year.

Indirect GHG emissions (Scope 2) show a continuous increase, driven by the expansion of operations, including the addition of new buildings to the portfolio and increased foot traffic. The newly added properties generated 8,168.11 tCO<sub>2</sub>e from common areas, while the original properties saw an increase of 4,475.40 tCO<sub>2</sub>e.

While the transition to renewable energy is not yet effective this 2024, MREIT is also proactively reducing and offsetting its emissions through various strategies including reforestation projects in collaboration with Megaworld's Project Tree Point Five Million Trees. For the first time, MREIT has achieved carbon neutrality for Scopes 1 and 2 by purchasing emission offsets for both scopes, effectively neutralizing its (Scope 1) direct and (Scope 2) indirect emissions.

This year, MREIT is also reporting its other indirect emissions (Scope 3). This includes the restatement of emissions previously reported under Scope 2 (downstream leased assets,

or the electricity consumption of tenants). In addition to downstream leased assets, other components of Scope 3 emissions included in the report are purchased goods and services, waste, and employee business travel and hotel stays. Emissions from employee commuting are not yet included in the calculations.

With the introduction of an online data warehouse platform, MREIT is expected to further enhance data collection and streamline emissions computations. This will also support MREIT in refining its decarbonization strategy.

At present, MREIT does not have recorded data on specific air pollutants, including nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), volatile organic compounds (VOCs), hazardous air pollutants (HAPs), and particulate matter (PM). The company is actively enhancing its emissions monitoring capabilities and aims to include this data in future disclosures as part of its continuous sustainability improvements.

MREIT remains committed to enhancing its sustainability efforts by proactively tracking and managing its greenhouse gas (GHG) emissions. In 2024, direct (Scope 1) emissions increased to 20,658.99 tonnes CO<sub>2</sub>e due to expanded operational activities, while energy indirect (Scope 2) emissions from purchased electricity rose to 27,310.24 tonnes CO<sub>2</sub>e, reflecting the company's growing portfolio. These increases present an opportunity for MREIT to further strengthen its emission reduction strategies and implement innovative sustainability initiatives. Moving forward, the company is focused on advancing energy efficiency measures, integrating renewable energy solutions, and refining emission monitoring systems to support its long-term goal of sustainable growth and environmental stewardship.

#### *Our Management Approach*

##### **Clear Skies Ahead**

MREIT continues to build upon its air emissions management approach, reinforcing its commitment to minimizing environmental impact and aligning with sustainability objectives. The company adheres to strict emissions policies and regulatory compliance frameworks, ensuring that greenhouse gas (GHG) emissions are effectively monitored and mitigated. Through regular emissions tracking, data verification, and audit mechanisms, MREIT enhances transparency and accuracy in reporting. The Facilities and Sustainability Teams oversee the implementation of reduction strategies, working closely with regulatory bodies and stakeholders to ensure compliance and continuous improvement. In 2024, MREIT is advancing its emissions reduction initiatives by optimizing energy efficiency measures, exploring renewable energy adoption, and improving emissions monitoring systems. Looking ahead, the company remains committed to aligning with Megaworld's carbon neutrality goals, integrating sustainable building practices, and leveraging technological innovations to further reduce its carbon footprint while maintaining operational excellence.

##### **Solid and Hazardous Wastes**

MREIT actively manages solid and hazardous waste to minimize environmental impact and ensure compliance with sustainability standards. Waste generation primarily occurs within building operations and maintenance activities, affecting waste disposal efficiency, resource management, and environmental footprint. Proper waste handling enhances operational sustainability, reduces landfill contributions, and supports recycling initiatives, while ineffective management could pose environmental and regulatory risks. Employees, suppliers, investors, and surrounding communities are directly impacted, as responsible

waste management promotes cleaner environments, cost efficiency, and regulatory adherence. MREIT remains committed to enhancing waste reduction strategies, improving segregation and recycling programs, and strengthening partnerships with accredited waste disposal providers to support long-term sustainability goals

Disclosure	Unit	Quantity		
		2022	2023	2024
Total Solid Waste Generated	t	7,617.03	1,239.28	2,618.05
Reusable	t	Not Available	Not Available	Not Available
Recyclable	t	Not Available	382.02	726.39
Composted	t	Not Available	143.94	1,225.96
Incinerated	t	Not Available	Not Available	Not Available
Residuals / Landfilled	t	7,617.03	713.31	665.70
Total Weight of Hazardous Waste Generated	t	20.30	15.28	9.65
Total Weight of Hazardous Waste Transported	t	0.02	Not Available	7.24

MREIT remains committed to responsible waste management by tracking and optimizing its solid and hazardous waste disposal practices. In 2024, total solid waste generated increased to 2,618.05 t, more than double the 2023 level, due to heightened property activity and operational scale. Of this, 726.39 t were recyclable and 1,225.96 t were composted—reflecting improved efforts in waste diversion and resource recovery. Residual waste sent to landfill also decreased from 713.31 t in 2023 to 665.70 t in 2024, indicating gradual progress in reducing landfill dependency.

Meanwhile, hazardous waste generation declined to 9.65 t in 2024 from 15.28 t in 2023, reflecting improved operational efficiency and stricter waste management protocols. A total of 7.24 t of hazardous waste was transported for proper treatment and disposal, a significant increase from previous years, indicating enhanced reporting and compliance with regulatory requirements. Although data on reusable and incinerated waste remains unavailable, MREIT continues to strengthen its waste management approach through better segregation, expanded recycling initiatives, and sustained adherence to environmental standards—supporting its broader sustainability goals.

### *Our Management Approach*

#### **From Waste to Wonder**

MREIT continues its waste management approach, reinforcing its commitment to minimizing environmental impact through responsible solid and hazardous waste handling. The company adheres to strict waste segregation, disposal, and recycling policies, ensuring compliance with environmental regulations and sustainability targets. Regular monitoring and reporting mechanisms are in place to track waste generation,

diversion, and disposal, with oversight provided by the Facilities and Sustainability Teams to ensure proper implementation. In 2024, MREIT is enhancing its waste reduction initiatives by expanding recycling programs, improving composting efforts, and further reducing landfill contributions. The company also prioritizes safe hazardous waste handling and proper transportation to accredited waste disposal providers. Looking ahead, MREIT remains focused on exploring innovative waste management solutions, strengthening supplier engagement for sustainable materials, and integrating circular economy principles to drive long-term environmental responsibility and operational efficiency.

## **Ecosystem and Biodiversity**

MREIT acknowledges the ecological sensitivity of its locations within Megaworld Townships, including McKinley Hill, McKinley West, and Iloilo Business Park, which are situated near areas of high biodiversity value. Although the Company operates in highly urbanized settings, it remains committed to the protection and preservation of natural ecosystems. Through its parent company, Megaworld, MREIT actively supports biodiversity conservation efforts integrated within township developments, ensuring alignment with environmental stewardship and long-term sustainability objectives.

In 2024, MREIT contributed to Megaworld's Project 3.5 Million, a carbon sequestration and biodiversity program. In partnership with Megaworld Premier Offices, the Estates Management Division, and First Oceanic Property Management, MREIT participated in the planting of narra and alibangbang trees at one of Megaworld's dedicated carbon forests in Brgy. Burgos, San Jose, Tarlac. This initiative, which combines environmental enhancement with employee engagement, aims to promote local biodiversity, support community-based livelihoods, and contribute to carbon offsetting goals.

MREIT also supports Megaworld's SeedQuest program, which focuses on the collection and propagation of native and endemic Philippine tree species. In 2024, MREIT donated seeds of narra, banaba, alibangbang, and kassod, which were turned over to Megaworld's central nursery for propagation. These seedlings will be cultivated for future reforestation activities led by MREIT and its partners, further reinforcing the Company's role in supporting ecological restoration and climate resilience.

## **Environmental Compliance**

MREIT upholds rigorous environmental compliance standards to ensure the sustainability of its operations while mitigating potential risks to the environment, host communities, and its regulatory standing. Compliance with applicable environmental laws and regulations is integral to the Company's operational framework, particularly in areas related to building management, supply chain processes, and resource efficiency.

Adherence to environmental regulations enhances operational resilience, reduces ecological impact, and reinforces responsible resource management. Positive outcomes include improved sustainability performance, avoidance of penalties, and strengthened stakeholder trust. Conversely, non-compliance may result in financial sanctions, reputational damage, and environmental degradation. Key stakeholders—including employees, suppliers, investors, tenants, and regulatory bodies—are directly impacted by MREIT's environmental compliance practices.

Disclosure	Unit	Quantity		
		2022	2023	2024
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	Php	None	None	None
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	None	None	None
No. of Cases Resolved through Dispute Resolution Mechanism	#	None	None	None

MREIT has maintained a strong track record of full compliance, with no recorded monetary fines, non-monetary sanctions, or dispute resolution cases related to environmental non-compliance from 2022 to 2024. This reflects the effectiveness of its environmental management systems and its commitment to operating in accordance with applicable laws and sustainability standards.

Looking ahead, MREIT will continue to strengthen its compliance monitoring frameworks, expand employee training on environmental regulations, and implement proactive risk mitigation measures. These efforts reinforce the Company's broader commitment to environmental stewardship, regulatory integrity, and sustainable urban development.

### *Our Management Approach*

#### **Beyond Green Standards**

MREIT continues to strengthen its environmental compliance framework, reinforcing its long-term commitment to sustainability and regulatory excellence. As part of its active participation in the MEGreen Program—a flagship sustainability initiative of its sponsor, Megaworld—MREIT aligns its environmental policies with Megaworld's overarching Sustainability and Carbon Neutrality Roadmap.

The Company adopts and enforces strict environmental standards focused on energy efficiency, water conservation, and waste management to ensure full alignment with national and local environmental regulations. Oversight of these compliance efforts is led by the Sustainability and Compliance Teams, which are responsible for monitoring environmental performance, managing risks, and ensuring continuous improvement across operations.

In 2024, MREIT further advanced its environmental programs by prioritizing energy optimization in office spaces, enhancing water conservation measures, and implementing waste reduction strategies in support of carbon neutrality targets. The Company also ensures that all required environmental compliance certificates and operating permits are secured for the ongoing maintenance and responsible management of its properties.

In the coming years, MREIT remains focused on expanding its sustainability initiatives through the exploration of green building innovations, the adoption of more efficient resource management practices, and the integration of low-impact technologies. These efforts support the Company's goal of reducing its environmental footprint and contributing meaningfully to the achievement of long-term carbon-neutral development.

## SOCIAL

### Employee Management

MREIT places strong emphasis on effective employee management, acknowledging its importance in supporting operational efficiency, fostering a positive workplace culture, and sustaining long-term business performance. A well-supported and properly managed workforce contributes to increased productivity, improved employee satisfaction, and greater talent retention—all of which positively impact service quality, supply chain performance, and stakeholder confidence.

Conversely, inadequate workforce management may pose risks to operational continuity, employee engagement, and organizational resilience. Key stakeholders—including employees, investors, tenants, and business partners—benefit from strong employee-related policies and practices, as these drive consistent service delivery, operational stability, and enhanced corporate reputation.

Starting in 2023, MREIT no longer had direct employees, following the resignation of its two remaining staff from 2022. All personnel supporting the Company's operations are now seconded from MFMI. While the Company's employee count reflects zero for 2023 and 2024, workforce management continues through MFMI, which upholds employment policies and practices in alignment with MREIT's sustainability commitments.

### Employee Hiring & Benefits

Disclosure	Units	Quantity		
		2022	2023	2024
Total Number of Employees	#	2	0	0
a. Number of Female Employees	#	2	0	0
b. Number of Male Employees	#	0	0	0
Attrition Rate	%	0	100	0
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	Not Available	Not Available	Not Available

Note: The 100% attrition rate in 2023 reflects the resignation of the Company's last two direct employees. From 2023 onward, all workforce requirements are fulfilled through secondment from MFMI.



**Percentage of Employees Availing the Benefits**

Disclosure	2022	2023	2024	Female	Male
SSS	Y	Y	Y	0%	0%
PhilHealth	Y	Y	Y	0%	0%
PAG-IBIG	Y	Y	Y	0%	0%
Parental Leaves	Y	Y	Y	0%	0%
Vacation Leaves	Y	Y	Y	0%	0%
Sick Leaves	Y	Y	Y	0%	0%
Medical Benefits (Aside from PhilHealth)	Y	Y	Y	0%	0%
Retirement Fund (Aside from SSS)	Y	Y	Y	0%	0%
Flexible—Working Hours	N	N	N	0%	0%

Note: MREIT had two direct employees in 2022, both of whom availed of standard benefits. Beginning in 2023, MREIT no longer had direct employees following the transition of all workforce requirements to MFMI. As such, employee benefit data for 2023 and 2024 reflects “0%” availment under MREIT, while relevant programs are now administered through MFMI for seconded personnel supporting MREIT operations.

*Our Management Approach***Culturing Champions**

MREIT continues to uphold its commitment to effective workforce management through strategic partnerships and secondment arrangements with MFMI. While MREIT no longer had direct employees starting in 2023, it ensures that all personnel supporting its operations are managed under a robust framework that promotes productivity, inclusivity, and employee well-being through its fund manager.

Through MFMI, the Company supports the implementation of human resources policies aligned with fair hiring practices, equal opportunity, and compliance with labor regulations. Regular monitoring and evaluation mechanisms—such as performance reviews and employee engagement initiatives—are maintained to assess workforce needs and ensure alignment with organizational goals.

Oversight of employee-related policies and programs is carried out by MFMI's Human Resources and Administrative Teams, which operate in accordance with MREIT's sustainability commitments and corporate values. In 2024, efforts focused on strengthening workplace policies, expanding training and development initiatives, and assessing options to promote greater work-life balance for seconded personnel.

Moving forward, MREIT remains committed to supporting a well-managed and empowered workforce through its fund manager. The Company will continue to advocate for high retention, diversity, inclusion, and continuous professional growth among personnel contributing to its long-term success.

### Employee Training & Development

Disclosure	Units	Quantity		
		2022	2023	2024
Total Training Hours Provided to Employees				
a. Female Employee	Hours	8	0	0
b. Male Employee	Hours	0	0	0
Average Training Hours Provided to Employees				
a. Female Employees	Hrs/Employee	4	0	0
b. Male Employees	Hrs/Employee	0	0	0

Restatement: Training data for 2023 has been restated to reflect the transition of all workforce functions to MFMI beginning that year. As MREIT no longer had direct employees from 2023 onward, previously reported training hours have been adjusted to zero for both 2023 and 2024. Training and development programs are now fully managed by MFMI for seconded personnel supporting MREIT operations.

While MREIT no longer maintains direct employees, it continues to promote professional development and capacity building through its fund manager. MFMI administers a range of training initiatives that support the operational and strategic needs of MREIT. These include onboarding programs, role-specific skill development, leadership and compliance training, and sustainability-related learning modules.

Personnel seconded to MREIT benefit from access to Megaworld Learning Academy, which provides structured learning tracks, e-learning resources, and instructor-led courses tailored to different career stages. Performance evaluations and employee feedback mechanisms help identify training priorities, ensuring that programs remain relevant and responsive to evolving organizational needs.

Looking ahead, MREIT, through MFMI, will continue to enhance training delivery methods, invest in digital learning platforms, and explore opportunities to integrate ESG-related knowledge and innovation in its workforce development efforts. These initiatives are essential to ensuring operational excellence, regulatory compliance, and the long-term success of MREIT’s sustainability strategy.

*Our Management Approach*

**Unlocking Potential**

MREIT remains committed to employee training and development as a cornerstone of its sustainability and operational excellence strategy. While MREIT no longer had direct employees starting in 2023, all personnel supporting its operations are seconded from MFMI. Through this arrangement, training and development programs are implemented and managed by MFMI in alignment with MREIT’s goals.

Structured learning pathways—including skill-building workshops, leadership development programs, and continuous learning opportunities—are made available to seconded personnel through Megaworld Learning Academy. These programs are monitored and evaluated through performance reviews and training effectiveness assessments to ensure relevance, quality, and impact.

The Human Resources and Learning & Development Teams assigned to MFMI oversee these initiatives, ensuring alignment with MREIT’s corporate objectives, regulatory standards, and industry best practices. In 2024, the focus was on expanding training delivery methods, incorporating employee feedback, and adopting digital learning platforms to improve accessibility, engagement, and efficiency.

As part of its forward strategy, MREIT, through MFMI, remains committed to strengthening its talent development approach, fostering a culture of continuous learning, and embracing innovative training methodologies to support career advancement and long-term organizational success.

**Labor-Management Relations**

MREIT values strong labor-management relations as a key element in fostering workplace harmony, employee engagement, and operational stability. Effective labor relations help ensure compliance with labor laws, support transparent communication, and reduce the risk of workplace disruptions. Conversely, gaps in dialogue or dispute resolution can negatively impact employee morale and operational efficiency.

These dynamics primarily affect seconded personnel, management, investors, and business partners, as strong labor practices contribute to overall business performance and stakeholder confidence. While MREIT no longer had direct employees starting in 2023, it remains committed—through its fund manager, MFMI—to upholding fair labor practices, regulatory compliance, and open communication in the workplace.

Disclosure	Unit	Quantity		
		2022	2023	2024

% of Employees Covered with Collective Bargaining Agreements	%	0	0	0
Number of Consultations Conducted with Employees Concerning Employee-Related Policies	#	Min. of 1/year	Min. of 1/year	Min. of 1/year

From 2022 to 2024, no employees were covered by collective bargaining agreements, as MREIT did not operate under a unionized workforce structure. Beginning in 2023, all personnel supporting MREIT have been seconded from MFMI. Labor-management engagement, including policy consultations and workplace communications, is facilitated by MFMI's Human Resources Team in coordination with MREIT and is conducted at least once annually or as needed.

This consultative approach ensures employee-related matters are addressed proactively, reinforcing a collaborative and compliant work environment. MREIT, through MFMI, remains committed to enhancing employee engagement initiatives, strengthening feedback mechanisms, and fostering a positive, inclusive, and well-regulated workplace culture that supports long-term organizational growth.

### Diversity, Equal Opportunity, & Anti-Discrimination

MREIT upholds the principles of diversity, equal opportunity, and anti-discrimination as essential to fostering an inclusive, equitable, and high-performing workplace. These values contribute positively to employee morale, organizational culture, innovation, and long-term business performance. Promoting diversity across operations and the supply chain enhances talent retention, ensures compliance with labor regulations, and strengthens corporate reputation.

Conversely, the absence of inclusive practices may result in reputational risk, legal exposure, and stakeholder disengagement. Key stakeholders—including seconded personnel, suppliers, investors, and customers—benefit from MREIT's ongoing commitment to ensuring that all individuals are treated fairly, regardless of gender, age, background, or circumstance.

Disclosure	Unit	Quantity		
		2022	2023	2024
% of Female Workers in the Workforce	%	100	0	0
% of Male Workers in the Workforce	%	0	0	0
Number of Employees from Indigenous Communities and/or Vulnerable Sectors*	#	Data unavailable	Data unavailable	Data unavailable

\*Vulnerable sectors include the elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

In 2022, MREIT employed two female staff, reflecting a 100% female workforce. However, beginning in 2023, MREIT no longer had direct employees following the transition of all personnel requirements to MFMI. As such, reported workforce figures for 2023 and 2024 are recorded as zero under MREIT, and diversity-related practices are now implemented through MFMI, which manages hiring and workplace inclusivity for seconded personnel supporting MREIT operations.

Although data on employees from Indigenous communities and vulnerable sectors remains unavailable, MREIT recognizes the importance of improved data tracking in support of broader social inclusion goals. As part of its forward strategy, MREIT, in coordination with MFMI, aims to strengthen diversity and inclusion initiatives, enhance workforce representation, and uphold structured policies that promote equal opportunity and eliminate discrimination. These efforts form part of the Company's commitment to sustainable employment, ethical governance, and social responsibility.

### *Our Management Approach*

#### **Shaping Unique Talents**

MREIT upholds strict non-discrimination policies and merit-based hiring practices to ensure that all individuals—regardless of gender, background, or social status—are treated equitably and have access to equal opportunities for career growth. While MREIT no longer had direct employees beginning in 2023, these values continue to be reflected through its fund manager, which oversees the selection, training, and management of seconded personnel supporting MREIT operations.

Regular workforce monitoring and reporting mechanisms are maintained by MFMI to track diversity metrics and ensure alignment with labor laws, internal policies, and MREIT's corporate sustainability goals. Oversight of these initiatives is carried out by the Human Resources and Sustainability Teams, with a focus on promoting inclusivity, awareness, and equitable access to professional development across all levels of the organization.

In 2024, MREIT, through MFMI, strengthened its inclusive hiring strategies, enhanced workplace diversity initiatives, and began establishing systems to track representation from vulnerable and marginalized sectors. As part of its forward strategy, the Company remains committed to advancing diversity and inclusion efforts, fostering a culture of belonging, and embedding equal opportunity measures into its long-term workforce development plans. These efforts support MREIT's broader commitment to responsible business practices and social sustainability.

## **Workplace Conditions, Labor Standards, and Human Rights**

### **Workforce Health & Safety**

MREIT continues to uphold its commitment to workplace health and safety as part of its broader responsibility to promote human rights and labor standards. While the Company

no longer had direct employees beginning in 2023, it ensured that all occupational safety and health protocols were implemented through its fund manager, MFMI Inc, for seconded personnel supporting MREIT operations.

Disclosure	Units	Quantity		
		2022	2023	2024
Safe Man-Hours	Man-Hours	Not Available	Not Available	0
No. of Work-Related Injuries	#	0	0	0
No. of Work-Related Fatalities	#	0	0	0
No. of Work-Related Ill-Health	#	0	0	0
No. of Safety Drills	#	Not Available	Not Available	Not Available

In 2024, no safe man-hours were recorded directly under MREIT, as all workforce-related reporting and monitoring were conducted by MFMI. Despite the absence of recorded safe man-hours, there were no reported work-related injuries, fatalities, or incidents of work-related ill-health across MREIT's operations from 2022 to 2024. This underscores the continued prioritization of safety protocols and risk prevention measures implemented by the fund manager.

Although safety drill data remains unavailable for all three years, MREIT—through MFMI—continues to reinforce emergency preparedness and compliance with relevant occupational safety standards. These efforts reflect the Company's ongoing commitment to ensuring a safe, healthy, and secure work environment across all areas of its operations.

### *Our Management Approach*

#### **Protect and Perform**

MREIT upholds robust health and safety principles as part of its commitment to responsible operations and human rights. While the Company no longer had direct employees beginning in 2023, Occupational Health and Safety (OHS) policies and programs continue to be implemented through MFMI for seconded personnel assigned to MREIT operations.

These programs focus on risk prevention, compliance with local and international safety standards, and ongoing workplace hazard assessments. MFMI conducts safety training, monitors incidents, and facilitates emergency preparedness activities to ensure that safety awareness is embedded at all levels of operations.

Oversight of OHS initiatives is carried out by MFMI's Facilities Management and Human Resources Teams, ensuring alignment with regulatory requirements, industry best practices and MREIT's corporate safety objectives. In 2024, MREIT, through MFMI, continued to enhance its safety protocols by exploring advanced safety technologies, expanding health and wellness programs, and improving incident response mechanisms.

In line with its long-term operational goals, MREIT remains committed to strengthening workplace safety measures, promoting a culture of proactive safety engagement, and continuously improving occupational health systems to support personnel well-being and sustain business continuity.

### Labor Standards & Human Rights

MREIT upholds labor standards and human rights as core principles in its operations, ensuring fair treatment, ethical labor practices, and full compliance with applicable laws and regulations. These commitments contribute to a safe, equitable, and inclusive working environment and extend across its operations and supply chain. Adherence to labor rights strengthens employee well-being, operational efficiency, and corporate reputation, while lapses could result in legal risks, reputational damage, and loss of stakeholder trust.

Employees, suppliers, investors, and business partners are directly affected by MREIT's continued focus on responsible labor practices. By upholding strong policies and implementing human rights frameworks, MREIT promotes ethical sourcing, workplace morale, and long-term sustainability.

Although MREIT no longer had direct employees starting in 2023, labor-related policies and programs remain in effect through MFMI, which manages all seconded personnel. These individuals remain covered by MREIT's commitments to human rights and labor protections.

Disclosure	Units	Quantity		
		2022	2023	2024
No. of Legal Actions or Employee Grievances Involving Forced or Child Labor	#	0	0	0

From 2022 to 2024, MREIT recorded no legal actions or employee grievances involving forced or child labor, underscoring the Company's commitment to ethical and lawful labor practices. These outcomes are supported by comprehensive policies that prohibit all forms of labor exploitation and require thorough due diligence in vendor and contractor engagements, as mandated by Megaworld Group.

In collaboration with its fund manager MFMI, MREIT continues to uphold policies promoting workplace fairness, health and safety, and the protection of marginalized and vulnerable groups. These policies reflect MREIT's proactive and values-driven approach to labor rights, supporting both legal compliance and social responsibility across its operations.

### Policies

Topic	2022	2023	2024	Reference in Company Policy
Forced Labor	Yes	Yes	Yes	Megaworld Group mandates the conduct of thorough audits on its

Topic	2022	2023	2024	Reference in Company Policy
Child Labor	Yes	Yes	Yes	vendors and contractors to ensure that underage workers are not employed in their operations.
Human Rights	Yes	Yes	Yes	<ul style="list-style-type: none"> <li>• MREIT's Anti-Harassment Policy</li> <li>• MREIT's Policy on Health, Safety and Welfare of Employees</li> <li>• Megaworld Corporation's Policy for Supporting Breastfeeding Employees</li> <li>• Megaworld Corporation's Policy supporting the Magna Carta for Women</li> <li>• Megaworld Corporation's Policy in support of the Family Welfare Act</li> <li>• Megaworld Corporation's Special Leave Benefits for Women Employees</li> <li>• Megaworld Corporation's Workplace policy and program on Hepatitis B</li> <li>• Megaworld Corporation's Anti-Discrimination Policy</li> </ul>

MREIT maintains a strong commitment to labor standards and human rights, ensuring a workplace free from forced and child labor. From 2022 to 2024, no legal actions or employee grievances related to forced or child labor were recorded, highlighting the company's strict adherence to ethical labor practices. MREIT enforces comprehensive labor policies, aligned with Megaworld Group's mandate to conduct thorough audits of vendors and contractors, ensuring compliance with ethical sourcing and fair labor standards. Additionally, the company actively upholds human rights policies, covering anti-harassment, workplace health and safety, women's welfare, and anti-discrimination. These policies reflect MREIT's proactive approach to creating a fair, inclusive, and legally compliant work environment.

### *Our Management Approach*

#### **Rights and Respect**

MREIT enforces strict policies against forced and child labor, workplace discrimination, and unfair treatment, aligned with national labor laws and international human rights standards. Regular audits, compliance checks, and employee grievance mechanisms are in place to monitor adherence and address concerns proactively.

The Human Resources and Compliance Teams manage the implementation of these policies, ensuring alignment with corporate governance and sustainability goals. In 2024, MREIT is further enhancing its labor rights programs by expanding employee welfare



initiatives, strengthening supplier audits for ethical sourcing, and increasing awareness through training programs. The company remains committed to improving labor monitoring frameworks, fostering an inclusive work environment, and reinforcing human rights protections across its operations and supply chain to uphold corporate social responsibility and long-term sustainability. awareness and continuously improving occupational health programs to safeguard employee well-being and maintain operational excellence.

Supply Chain Management

Sustainability Topics when Accrediting Suppliers

MREIT integrates sustainability criteria into its supplier accreditation process, ensuring that procurement practices align with environmental, social, and governance (ESG) standards. This approach positively impacts operations and the supply chain by upholding ethical sourcing, minimizing environmental risks, and promoting responsible business practices. By prioritizing sustainability in supplier selection, MREIT mitigates reputational and regulatory risks while enhancing long-term supply chain resilience. Employees, suppliers, investors, and customers are key stakeholders affected, as sustainable procurement contributes to operational efficiency, ethical partnerships, and strengthened investor confidence. MREIT remains committed to enhancing its supplier evaluation frameworks, strengthening compliance monitoring, and promoting responsible sourcing practices to drive sustainability across its business ecosystem.

Topic	2022	2023	2024
Environmental Performance	Yes	Yes	Yes
Forced Labor	Yes	Yes	Yes
Child Labor	Yes	Yes	Yes
Human Rights	Yes	Yes	Yes
Bribery and Corruption	Yes	Yes	Yes

MREIT maintains a rigorous supplier accreditation process to ensure that sustainability factors are consistently integrated into procurement decisions. From 2022 to 2024, the company has upheld strict assessment criteria that cover environmental performance, forced labor, child labor, human rights, and bribery and corruption, reinforcing its commitment to ethical sourcing and responsible supply chain management. To ensure impartiality and compliance, MREIT engages a third-party accreditation firm to handle the supplier screening process and verifies all accredited vendors meet these sustainability requirements. This approach enhances supply chain transparency, reduces operational risks, and aligns with global sustainability standards.

*Our Management Approach*

**Delivering Success**

MREIT follows strict procurement policies that emphasize environmental, social, and governance (ESG) standards, ensuring that all suppliers comply with the company’s sustainability goals and legal requirements. MREIT actively monitors supplier performance through regular audits and compliance checks, with oversight provided by the Procurement and Sustainability Teams. In 2024, the company is enhancing its supply chain strategy by expanding its supplier engagement programs, incorporating green procurement practices, and promoting responsible sourcing to minimize environmental impact. Looking ahead, MREIT remains committed to strengthening its supply chain resilience, exploring innovative sourcing solutions, and fostering partnerships with suppliers who align with its sustainability objectives, driving long-term business success while contributing to environmental and social well-being.

**Relationship with Community**

**Significant Impacts on Local Communities**

MREIT recognizes its significant impact on local communities, fostering economic growth, employment opportunities, and sustainable urban development through its operations. Positive contributions include job creation, infrastructure enhancement, and increased business activity in areas where MREIT operates, benefiting employees, suppliers, investors, and residents. However, development projects may also pose challenges such as resource consumption and environmental impact, requiring responsible management to mitigate potential disruptions. By implementing sustainable business practices, community engagement initiatives, and compliance with environmental and social regulations, MREIT ensures that its presence contributes to long-term community well-being, economic resilience, and stakeholder trust while minimizing adverse effects.

Operations with significant impacts on local communities	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures or enhancement measures
Iloilo City	MREITs buildings are designed to adhere to green building standards, which promotes employee well-being and increases productivity in the workplace. These types of developments attract multinational corporations to locate in the country and contribute to the government’s efforts to provide more job opportunities in the country.	Not Applicable
Quezon City		
Taguig City		

**Certificates for Activities Impacting Indigenous Peoples (IPs)**

Certificates	Units	Quantity		
		2022	2023	2024
FPIC process is still undergoing	#	Not Applicable	Not Applicable	Not Applicable
CP secured	#	Not Applicable	Not Applicable	Not Applicable

MREIT plays a significant role in local community development, particularly in Iloilo City, Quezon City, and Taguig City, where its operations contribute to economic growth, job creation, and sustainable urban planning. The company ensures that its buildings adhere to green building standards, promoting employee well-being, productivity, and environmental sustainability. Additionally, MREIT's developments help attract multinational corporations, aligning with national economic objectives to increase employment opportunities. The table indicates that no mitigating or enhancement measures were required, suggesting that MREIT's projects have been well-integrated into their respective communities with minimal disruption.

Regarding activities impacting Indigenous Peoples (IPs), the company has not required FPIC (Free, Prior, and Informed Consent) processes or compliance permits from 2022 to 2024, indicating that its developments do not directly impact IP communities.

*Our Management Approach***Nurturing Foundations**

MREIT ensures that its developments adhere to green building standards and urban sustainability principles, contributing to economic growth, job creation, and environmental stewardship. MREIT actively monitors its community impact through stakeholder engagement programs, socio-economic assessments, and regulatory compliance measures to ensure alignment with national development goals.

The Sustainability and Corporate Social Responsibility (CSR) Teams oversee initiatives that enhance community welfare while maintaining business sustainability. In 2024, MREIT is expanding its programs by strengthening local partnerships, exploring community investment opportunities, and integrating social impact initiatives into its operations. Looking ahead, the company remains committed to deepening its engagement with stakeholders, enhancing its ESG-driven community programs, and continuously improving its efforts to create lasting positive contributions to local communities.

**Customer Management**

MREIT prioritizes customer management as a key driver of operational success, ensuring high-quality service and tenant satisfaction across its portfolio. Effective customer management positively impacts operations, brand reputation, and long-term business sustainability, fostering strong relationships with tenants and investors. Within property management and the supply chain, responsive service, efficient lease management, and proactive engagement enhance customer experience. On the other hand, lapses in service

quality could affect tenant retention and stakeholder trust. Employees, suppliers, investors, and customers are key stakeholders influenced by MREIT's customer-focused strategies, which promote operational efficiency, value creation, and business growth. The company remains committed to enhancing customer service initiatives, implementing digital solutions for improved tenant engagement, and continuously refining its customer relationship management strategies to ensure long-term success.

### Customer Satisfaction

Disclosure	Units	Quantity		
		2022	2023	2024
Customer Satisfaction Score	%	Not Available	Not Available	Not Available

### Customer Health & Safety

Disclosure	Units	Quantity		
		2022	2023	2024
No. of Substantiated Complaints on Product or Service Health and Safety	#	0	0	0
No. of Complaints Addressed	#	0	0	0

MREIT remains committed to customer satisfaction and health and safety, ensuring that tenants and stakeholders receive high-quality services while maintaining a safe environment. While customer satisfaction scores were not available from 2022 to 2024, the company continues to enhance tenant engagement and service quality initiatives to improve customer experience.

In terms of customer health and safety, MREIT has consistently recorded zero substantiated complaints on product or service health and safety from 2022 to 2024, demonstrating its strict compliance with safety regulations and high operational standards. Additionally, there were no recorded complaints requiring resolution, reflecting MREIT's proactive measures in risk management and tenant well-being.

### *Our Management Approach*

#### **Elevating Experiences**

MREIT implements customer service policies and tenant engagement programs to ensure a high-quality experience while maintaining proactive monitoring strategies, such as regular feedback collection, service quality assessments, and safety compliance checks.

The Property Management and Customer Relations Teams oversee these initiatives, ensuring prompt issue resolution and continuous service improvement. In 2024, MREIT is strengthening its customer management efforts by expanding digital tenant engagement

platforms, enhancing service responsiveness, and reinforcing health and safety standards. Looking ahead, the company remains committed to optimizing customer satisfaction tracking, integrating smart building technologies for better service delivery, and continuously improving tenant experience to uphold its reputation for excellence.

### Customer Privacy & Data Security

MREIT prioritizes customer privacy and data security, ensuring the protection of sensitive information across its operations, digital systems, and tenant management platforms. Effective data security measures enhance trust, regulatory compliance, and business continuity, while potential risks such as data breaches or unauthorized access could lead to reputational damage and regulatory penalties. Employees, tenants, investors, and business partners are key stakeholders affected, as safeguarding data integrity strengthens stakeholder confidence, operational efficiency, and corporate governance. MREIT remains committed to implementing comprehensive cybersecurity measures through continuously improving data protection protocols and aligning with industry best practices to maintain a secure and trusted business environment.

Disclosure	Units	Quantity		
		2022	2023	2024
No. of Substantiated Complaints on Customer Privacy	#	0	0	0
No. of Complaints Addressed	#	0	0	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0	0
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	#	0	0	0

MREIT upholds strict data privacy and security standards, ensuring the confidentiality and protection of customer information across its operations. From 2022 to 2024, the company recorded zero substantiated complaints on customer privacy, indicating strong compliance with data protection laws and cybersecurity protocols. Additionally, there were no reported complaints requiring resolution, no instances of customer information being used for secondary purposes, and no data breaches, including leaks, thefts, or losses. These results reflect MREIT's effective implementation of privacy safeguards, risk management practices, and adherence to industry best practices.

### *Our Management Approach*

#### **Your Data, Our Responsibility**

MREIT enforces comprehensive privacy policies, secure data handling protocols, and regular security audits to safeguard sensitive information against unauthorized access and breaches.

The Information Technology and Compliance Teams oversee the monitoring, risk assessment, and implementation of security enhancements, ensuring alignment with regulatory standards and industry best practices. In 2024, MREIT is further enhancing its data protection framework by integrating advanced encryption technologies, expanding employee cybersecurity training, and strengthening incident response protocols. Moving on, the company remains committed to continuously improving its digital security infrastructure, refining privacy management strategies, and proactively addressing emerging cyber risks to uphold trust, compliance, and operational resilience.



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

One Fintech Place

Located in  
**Iloilo Business Park, Barangay San Rafael**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.<sup>®</sup>**  
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31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-019**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **One Fintech Place (building and its facilities)**, bounded by **Megaworld Boulevard, Digital Road and Festive Walk Road**, within **Iloilo Business Park, Barangay San Rafael, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION FOUR HUNDRED NINETY-ONE MILLION FOUR HUNDRED NINETY-FOUR THOUSAND (Php2,491,494,000) PESOS.**

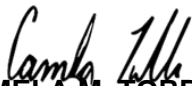
We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:mfm:moa

**CAI File No. 11-2024-1058-019**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-019**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay San Rafael, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Evandre John T. Malala (client's representative), the appraised property is the **One Fintech Place (building and its facilities)**, bounded **on the northwest side by Megaworld Boulevard, on the southwest side by Digital Road, and on the southeast side by Festive Walk Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City.**

The property is located across Courtyard Iloilo, approximately 125 meters southwest from the intersection of Marriot Driveway and Megaworld Boulevard; 325 meters southwest from the intersection of Enterprise Road and Megaworld Boulevard; 600 meters southwest from Festive Walk Mall; 795 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.50 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.85 kilometers northwest from SM City Iloilo.

Megaworld Boulevard, Digital Road, and Festive Walk are 30, 20, and 20 meters wide, correspondingly. All are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

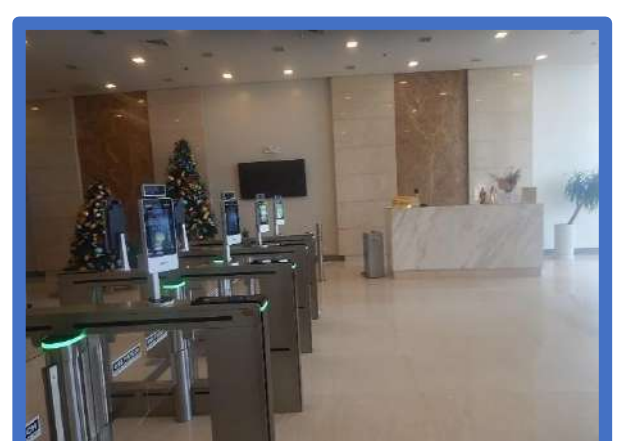
**ONE FINTECH PLACE**



**ROOFDECK OF BUILDINGS A AND B**



**COMMERCIAL UNITS**



**LOBBY AREAS OF TOWER A & B**

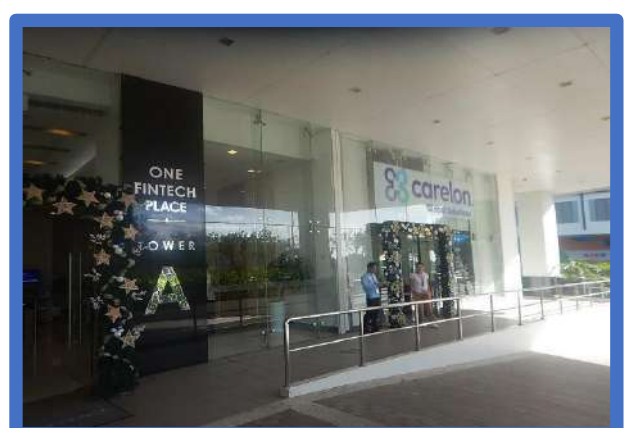
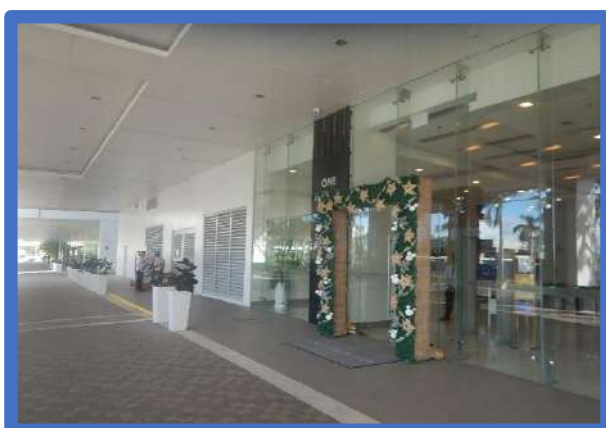




RETAIL SPACES



PARKING AREA ON THE 2<sup>ND</sup> AND 3<sup>RD</sup> FLOORS



GROUND FLOOR



**VIEW OF ONE FINTECH PLACE TAKEN ALONG MEGAWORLD BOULEVARD**



**VICINITY MAP**



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### III. NEIGHBORHOOD DATA

Iloilo Business Park (IBP) is a 72-hectare mixed-use development, located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- Two Fintech Place
- Festive Walk Transport Hub
- Richmonde Hotel and Tower
- Countyard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing, and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### V. LAND DATA

No copy of the title or any land ownership document was given to us. Reportedly, the land is the portion of Lot 10 with a leased land area of 4,127 square meters owned by the **MEGAWORLD**.

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

## VI. DESCRIPTION OF THE BUILDING

### One Fintech Place

This is a twin tower eight (8)-storey reinforced concrete frame office building, having a reinforced concrete slab roof with waterproofing membrane and thermoplastic polymer covered roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors. Each tower is provided with 160 cubic meter supply of water located at the ground floor.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

Parking slots located on the 2<sup>nd</sup> and 3<sup>rd</sup> floor consist of concrete soffit slab ceiling; cement plastered concrete hollow block and steel grilles walls; and plain cement with epoxy paint finished concrete floors. The total number of parking slots for the motorcycle is one hundred four (104) slots and for the car slot it is one hundred forty (140).

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, six (6) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 30,409 square meters and 18,088 square meters, respectively, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	6,032	723	Retail units, lobby area, utilities rooms, recruitment area, administration office and comfort rooms
Second	-	-	Parking area and utility rooms
Third	-	-	Parking area and utility rooms
Fourth	4,876	-	Carelon Global Solutions, two (2) comfort rooms and utility rooms
Fifth	4,876	3,473	Carelon Global Solutions, two (2) comfort rooms and utility rooms

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Sixth	4,876	3,473	Carelon Global Solutions, two (2) comfort rooms and utility rooms
Seventh	4,876	3,473	Carelon Global Solutions, two (2) comfort rooms and utility rooms
Eight	4,876	3,473	Carelon Global Solutions, two (2) comfort rooms and utility rooms
<b>Total -</b>	<b>30,409</b>	<b>18,088</b>	

The building construction was completed sometime in 2020. As observed, the estimated remaining economic life of this building is about 46 years.

#### VII. HIGHEST AND BEST USE

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

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

#### VIII. VALUATION

##### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating

expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 18,088-square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	<u>3.493%</u>	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in Php) ONE FINTECH PLACE															
STATISTICS															
Land Leased Area		4,127	sq.m.												
Gross Floor Area (GFA)		30,409	sq.m.												
Gross Leasable Area (GLA)		18,088	sq.m.												
Vacancy Rate (incl. bad debts)		-	(ave)												
Terminal Capitalization Rate		5.10%													
Discount Rate		9.10%	years												
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
			Year	1	2	3	4	5	6	7	8	9	10	Total	11
GROSS REVENUES			Escalation		5.52%	4.49%	4.65%	4.65%	4.66%	2.32%	3.89%	4.66%	4.66%		4.66%
Rental Income															
Rental Income - PAS Adjustment															
Rental Income - deferred credits amortization															
Rental Income - penalties															
Income from dues - net															
Total Annual Gross Rental -			-												
Total Annual Revenues															
LESS:															
Vacancy Rate (incl. bad debts)		of gross revenues		182,739,048	192,830,142	201,486,386	210,855,531	220,668,452	230,946,474	236,303,301	245,506,377	256,944,169	268,924,539		281,463,508
Effective Gross Revenues				182,739,048	192,830,142	201,486,386	210,855,531	220,668,452	230,946,474	236,303,301	245,506,377	256,944,169	268,924,539	2,247,204,420	281,463,508
LESS EXPENSES:															
Cost of Services															
Outside Services															
Management Fees - FM															
Management Fees - PM															
Land Lease															
Utilities															
Taxes, Licenses and Fees - RPT															
Taxes, Licenses and Fees - Others															
Repairs and Maintenance															
Supplies and Materials															
Miscellaneous															
Total Cost of Services -				50,712,550	54,701,464	56,831,527	59,082,465	61,425,278	63,863,836	65,790,998	68,199,051	70,907,511	73,726,841		76,658,270
Other Operating Expenses		of gross revenues		1,827,390	1,928,301	2,014,864	2,108,555	2,206,685	2,309,465	2,363,033	2,455,064	2,569,442	2,689,245		2,814,635
Capex Reserve				6,509,955	6,810,019	7,132,000	7,483,226	7,851,824	8,238,659	8,407,464	8,742,613	9,173,361	9,625,423		10,099,762
Total -				59,049,896	63,439,784	65,978,391	68,674,246	71,483,787	74,411,959	76,561,495	79,396,728	82,650,313	86,041,509		89,572,667
Total				59,049,896	63,439,784	65,978,391	68,674,246	71,483,787	74,411,959	76,561,495	79,396,728	82,650,313	86,041,509	727,688,108	89,572,667
NET OPERATING INCOME				123,689,151	129,390,358	135,507,996	142,181,285	149,184,665	156,534,515	159,741,807	166,109,649	174,293,856	182,883,030	1,519,516,312	191,890,842
ADD: Reversion Value (Resale Value)															3,762,565,524
LESS: Marketing Cost		0.00%	of Resale Value												-
Net Reversion Value															3,762,565,524
Present Worth Factor @ 9.10%		discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-	0.40072
Present Worth of Net Income				118,418,413	113,544,156	108,994,114	104,822,812	100,812,134	96,955,843	90,689,647	86,438,900	83,132,664	79,953,647	983,762,330	
Present Worth of Net Reversion Value															1,507,732,133
Total Present Value of Net Income					983,762,330										
Present Worth of Net Reversion Value						1,507,732,133									
Total						2,491,494,462									
Market Value of the Building				PhP	2,491,494,462										
Rounded to				PhP	2,491,494,000										

On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of Php2,491,494,000.



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

One Global Center

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
ASSET VALUATION SOLUTIONS

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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-011**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **One Global Center (building and its facilities)**, located on the corner of **Megaworld Boulevard and Cyber Road**, within **Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION FOUR HUNDRED FORTY-TWO MILLION NINE HUNDRED TWELVE THOUSAND (Php1,442,912,000) PESOS**.

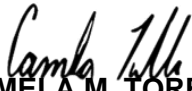
We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**CARMELA M. TORBELA**  
**Department Manager - Real Estate**  
Real Estate Appraiser  
PRC Registration Number: 0004270  
Valid Until: 10/04/2025  
IPREA Membership No. 1001  
PTR No. 2613561  
16 January 2024  
City of Bacoar

MPR/CMT:moa

**CAI File No. 11-2024-1058-011**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-011**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Arvin N. Muyong (client's representative), the appraised property is the **One Global Center (building and its facilities)**, located **on the south corner of Megaworld Boulevard and Cyber Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao, Iloilo City**.

The property is located across Festive Walk Mall; approximately 230 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.00 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.25 kilometers northwest from SM City Iloilo.

Megaworld Boulevard and Cyber Road are 30 and 20 meters wide, respectively. Both are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

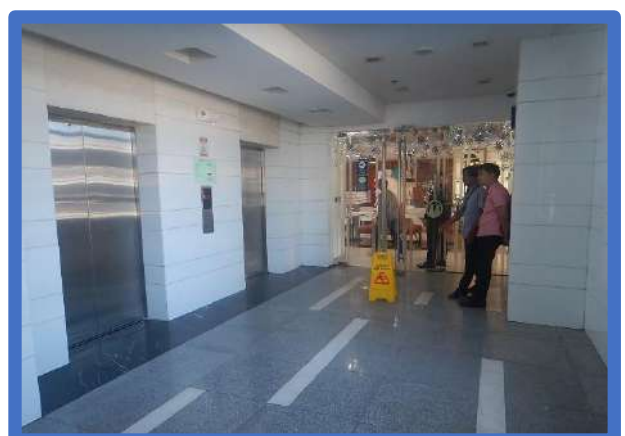
### ONE GLOBAL CENTER



### LOBBY AND TYPICAL OFFICE AREA



### RETAIL SPACES



### COMMON AREAS





**VIEW OF THE ONE GLOBAL CENTER  
TAKEN ALONG MEGAWORLD BOULEVARD**



**VICINITY MAP**

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### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development, located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- Two Global Center
- Festive Walk Transport Hub
- Two Techno Place
- Richmond Hotel and Tower
- Countryard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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



## VI. DESCRIPTION OF THE BUILDING

### One Global Center

This is a twin tower four(4)-storey reinforced concrete frame office building, having a reinforced concrete slab roof covered with waterproofing membrane roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill, and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, four (4) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 13,416.81 square meters and 10,301 square meters, respectively, allocated as follows:

Floor Level	Gross Floor Area	Gross Leasable Area	Occupancy
	(sq.m.)	(sq.m.)	
G/F	1,877.79	1,101	Retail units, lobby area, utilities rooms, administration office and comfort rooms
2/F	3,813.80	3,038	Transcom, two (2) comfort rooms and utility rooms
3/F	3,862.61	3,081	Transcom and WNS Global Services, two (2) comfort rooms and utility rooms
4/F	<u>3,862.61</u>	<u>3,081</u>	Transcom and WNS Global Services, two (2) comfort rooms and utility rooms
<b>Total -</b>	<b>13,416.81 sq.m.</b>	<b>10,301 sq.m.</b>	

## VII. HIGHEST AND BEST USE

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

**Highest and Best Use** is 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.

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**VIII. VALUATION**

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**By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation, and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis, and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

**Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates on the next page:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 13,301 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	<u>3.493%</u>	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	<u>0.927%</u>	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) ONE GLOBAL CENTER														
<b>STATISTICS</b>														
Land Area														
Gross Floor Area (GFA)	13,417	sq.m.												
Gross Leasable Area (GLA)	10,301	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%	years												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
		Year	1	2	3	4	5	6	7	8	9	10	Total	11
<b>GROSS REVENUES</b>		Escalation		2.93%	4.43%	4.55%	4.56%	4.56%	4.57%	4.57%	4.58%	4.58%		4.58%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -		-												
<b>Total Annual Revenues</b>														
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	of gross revenues		105,882,690	108,983,479	113,809,136	118,992,396	124,417,067	130,094,598	136,036,990	142,256,820	148,767,270	155,582,159		162,709,232
<b>Effective Gross Revenues</b>			<b>105,882,690</b>	<b>108,983,479</b>	<b>113,809,136</b>	<b>118,992,396</b>	<b>124,417,067</b>	<b>130,094,598</b>	<b>136,036,990</b>	<b>142,256,820</b>	<b>148,767,270</b>	<b>155,582,159</b>	<b>1,284,822,605</b>	<b>162,709,232</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -			28,776,993	30,677,297	31,865,272	33,116,150	34,417,588	35,771,695	37,180,671	38,646,809	40,172,502	41,760,248		43,410,746
<b>Other Operating Expenses</b>	of gross revenues		1,058,827	1,089,835	1,138,091	1,189,924	1,244,171	1,300,946	1,360,370	1,422,568	1,487,673	1,555,822		1,627,092
<b>Capex Reserve</b>			3,802,344	3,860,817	4,040,289	4,234,316	4,437,765	4,651,098	4,874,797	5,109,372	5,355,355	5,613,305		5,883,679
Total -			33,638,164	35,627,949	37,043,652	38,540,390	40,099,524	41,723,739	43,415,838	45,178,749	47,015,530	48,929,374		50,921,517
<b>Total</b>			<b>33,638,164</b>	<b>35,627,949</b>	<b>37,043,652</b>	<b>38,540,390</b>	<b>40,099,524</b>	<b>41,723,739</b>	<b>43,415,838</b>	<b>45,178,749</b>	<b>47,015,530</b>	<b>48,929,374</b>	<b>411,212,910</b>	<b>50,921,517</b>
<b>NET OPERATING INCOME</b>			<b>72,244,527</b>	<b>73,355,529</b>	<b>76,765,484</b>	<b>80,452,006</b>	<b>84,317,543</b>	<b>88,370,859</b>	<b>92,621,152</b>	<b>97,078,071</b>	<b>101,751,740</b>	<b>106,652,786</b>	<b>873,609,695</b>	<b>111,787,715</b>
<b>ADD: Reversion Value (Resale Value)</b>														2,191,915,981
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													-
<b>Net Reversion Value</b>														2,191,915,981
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-	0.40072
<b>Present Worth of Net Income</b>			<b>69,165,986</b>	<b>64,371,811</b>	<b>61,745,330</b>	<b>59,313,049</b>	<b>56,977,916</b>	<b>54,735,986</b>	<b>52,583,477</b>	<b>50,516,762</b>	<b>48,532,366</b>	<b>46,626,957</b>	<b>564,569,641</b>	
<b>Present Worth of Net Reversion Value</b>														<b>878,342,752</b>
<b>Total Present Value of Net Income</b>				<b>564,569,641</b>										
<b>Present Worth of Net Reversion Value</b>				<b>878,342,752</b>										
<b>Total</b>				<b>1,442,912,393</b>										
On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of <b>Php1,442,912,000</b>														
<b>Market Value of the Building</b>		PhP	<b>1,442,912,393</b>											
<b>Rounded to</b>		PhP	<b>1,442,912,000</b>											



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

One Le Grand Tower

Located in  
**McKinley West, Fort Bonifacio**  
**Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
ASSET VALUATION SOLUTIONS

Manila  
(632) 8631-1645

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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-022**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **One Le Grand Tower (building and its facilities)**, it is bounded by **Le Grand Avenue, McWest Boulevard and Chateau Road, within McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.



We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **SIX BILLION THREE HUNDRED SEVENTY-SEVEN MILLION FIVE HUNDRED THIRTY-NINE THOUSAND (Php6,377,539,000) PESOS.**


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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**  
PRC Registration Number: 0000087  
Valid Until: 12/06/2025  
IPREA Membership No. 847  
PTR No. 3724602  
16 January 2024  
Dasmariñas City

JVP :mfm

**CAI File No. 11-2024-1058-022**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-022**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Fort Bonifacio, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

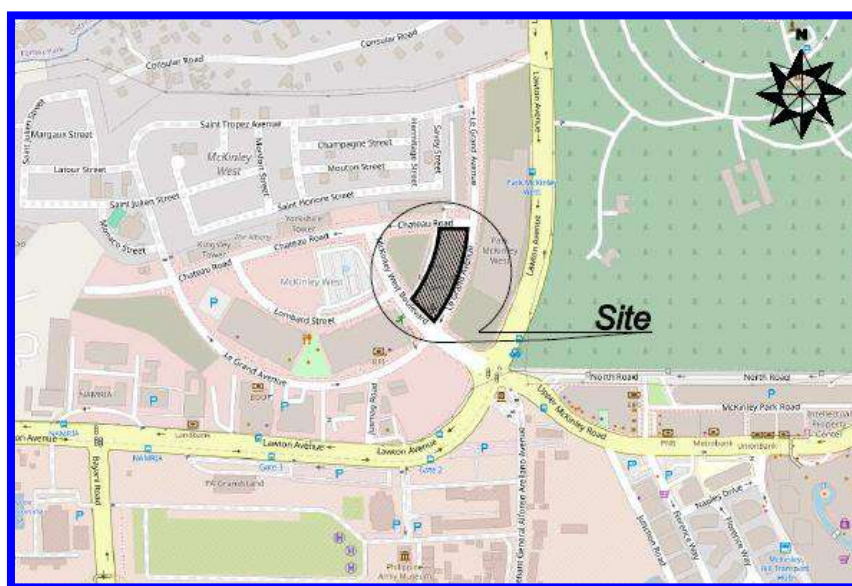
### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **One Le Grand Tower (building and its facilities)**, bounded by **Le Grand Avenue, McWest Boulevard and Chateau Road, within McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The site is located on the northeast corner of Le Grand Avenue and McWest Boulevard and southwest corner of Le Grand Avenue and Chateau Road, approximately 170 meters northwest from the intersection of Lawton Avenue and McWest Boulevard; 850 meters northeast from the corner of Lawton Avenue and Bayani Road; 1.5-kilometer southwest from the corner of Carlos P. Garcia Avenue (C-5) and Upper McKinley Hill Road; and about 3-kilometer southeast from the intersection of Epifanio de los Santos Avenue (EDSA) and Ayala Avenue (One Ayala).

Le Grand Avenue is 20 meters wide while McWest Boulevard and Chateau Road are 30 meters wide. All are concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. McWest Boulevard has a mini center island.

# ONE LE GRAND TOWER



Vicinity Map

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### **III. NEIGHBORHOOD DATA**

McKinley West is Megaworld's 34.5-hectare ultra-high-end township on the former JUSMAG property in Fort Bonifacio beside Forbes Park and Manila Polo Club.

Aside from an exclusive residential village where lots have appreciated as much as 110 percent since its launch in 2010, McKinley West has rows of luxury residential estates, which include properties having their own state-of-the-art security features and first-of-its-kind luxury amenities.

The posh residential enclave is supplemented by a modern business district, living up to the lifestyle of the neighboring Forbes Park. Residents and people working in McKinley West enjoy direct access to McKinley Hill, as well as more convenient access to Fort Bonifacio, South Luzon Expressway, C5 Road, the Ninoy Aquino International Airport (NAIA), and the Makati CBD.

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

Some of the important improvements in the vicinity are:

- The Albany Luxury Residences
- McKinley Village
- Upper McKinley Hill
- Dasmariñas Village
- Forbes Park
- Bonifacio Global City
- Manila Polo Club
- Manila Golf and Country Club
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Taguig City and its neighboring towns/cities is available along Lawton Avenue which is approximately 170 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.



**V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

**VI. DESCRIPTION OF THE BUILDING****One Le Grand Tower**

This is an eighteen (18)-storey reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit and gypsum board ceilings; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel grill and insulated steel doors; steel louvers; and slab ceramic tile, vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped with stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 61,461.98-square meter and 48,292-square meter, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	4,827.53	1,180.00	Vacant
Parking	-	-	
Second	-	-	
Third	-	-	
Fourth	-	-	
Fifth	-	-	
Sixth	4,647.02	3,911.00	Syntel Infotech, Inc.
Seventh	4,478.11	3,911.00	Telus International Philippines, Inc.
Eight	4,478.11	3,911.00	Telus International Philippines, Inc.
Ninth	4,478.11	3,911.00	Telus International Philippines, Inc.
Tenth	4,478.11	3,911.00	Factset Philippines, Inc.
Eleventh	4,478.11	3,911.00	Factset Philippines, Inc.
Twelfth	4,460.72	3,885.00	Factset Philippines, Inc.
Thirteenth	-	-	-
Fourteenth	4,460.72	3,885.00	Factset Philippines, Inc.
Fifteenth	4,171.36	3,969.00	Factset Philippines, Inc.
Sixteenth	4,171.36	3,969.00	Factset Philippines, Inc.
Seventeenth	4,171.36	3,969.00	Factset Philippines, Inc.
Eighteenth	4,171.36	3,969.00	Factset Philippines, Inc.
Roofdeck	3,990.00	-	-
<b>Total -</b>	<b>61,461.98</b>	<b>48,292.00</b>	

The building construction was completed sometime in 2021. As observed, the remaining economic life of this building is about 47 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

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1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 48,292 square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25. 2024 BSP
Below one year time deposit		=	<u>3.493%</u>	
Average		=	4.633%	
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		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	<u>2.50%</u>	
	Cap Rate	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	Discount Rate	=	<b>9.107%</b>	
	Say	=	<b><u>9.10%</u></b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 3% based on the average escalation rate;
7. Capitalization rate adopted to arrive at the terminal value is 6.10% (discount rate less growth rate);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention sale this property on the end of 10<sup>th</sup> year.



Discounted Cash Flow Analysis (in Php) ONE LE GRAND TOWER														
<b>STATISTICS</b>														
Land Area		-	sq.m.											
Gross Floor Area		61,461.98	sq.m.											
Gross Leasable Area		48,292.00	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		6.1%												
Discount Rate		9.1%												
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>			Escalation		4%	4%	1%	2%	2%	2%	5%	5%	5%	5%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)		of gross revenues		574,527,844	599,801,280	624,555,346	632,264,401	644,674,144	657,605,791	671,081,986	701,513,180	733,356,632	766,679,130	805,013,086
<b>Effective Gross Revenues</b>				<b>574,527,844</b>	<b>599,801,280</b>	<b>624,555,346</b>	<b>632,264,401</b>	<b>644,674,144</b>	<b>657,605,791</b>	<b>671,081,986</b>	<b>701,513,180</b>	<b>733,356,632</b>	<b>766,679,130</b>	<b>805,013,086</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -				161,515,653	172,994,127	179,473,917	184,156,510	189,503,684	195,047,902	200,796,558	208,609,033	216,734,175	225,184,888	234,349,913
<b>Other Operating Expenses</b>				5,745,278	5,998,013	6,245,553	6,322,644	6,446,741	6,576,058	6,710,820	7,015,132	7,333,566	7,666,791	7,978,830
<b>Capex Reserve</b>				20,363,346	21,040,457	21,941,794	22,089,262	22,436,186	22,799,092	23,178,730	24,294,451	25,464,445	26,691,373	27,991,242
Total -				187,624,277	200,032,596	207,661,264	212,568,417	218,386,611	224,423,052	230,686,108	239,918,616	249,532,186	259,543,052	270,319,985
<b>Total -</b>				<b>187,624,277</b>	<b>200,032,596</b>	<b>207,661,264</b>	<b>212,568,417</b>	<b>218,386,611</b>	<b>224,423,052</b>	<b>230,686,108</b>	<b>239,918,616</b>	<b>249,532,186</b>	<b>259,543,052</b>	<b>2,230,376,179</b>
<b>NET OPERATING INCOME</b>				<b>386,903,567</b>	<b>399,768,683</b>	<b>416,894,083</b>	<b>419,695,984</b>	<b>426,287,533</b>	<b>433,182,739</b>	<b>440,395,878</b>	<b>461,594,564</b>	<b>483,824,447</b>	<b>507,136,078</b>	<b>534,693,102</b>
<b>ADD: Reversion Value (Resale Value)</b>														8,765,460,681.40
<b>LESS: Marketing Cost</b>		0.0% of Resale Value												-
<b>Net Reversion Value</b>														<b>8,765,460,681</b>
Present Worth Factor @		9.1% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072
<b>Present Worth of Net Income</b>				<b>370,416,529</b>	<b>350,809,741</b>	<b>335,323,395</b>	<b>309,419,861</b>	<b>288,065,504</b>	<b>268,308,861</b>	<b>250,024,384</b>	<b>240,201,136</b>	<b>230,768,979</b>	<b>221,712,091</b>	<b>2,865,050,480</b>
<b>Present Worth of Net Reversion Value</b>														<b>3,512,488,126</b>
<b>Total Present Value of Net Income</b>					<b>2,865,050,480</b>									
<b>Present Worth of Net Reversion Value</b>					<b>3,512,488,126</b>									
<b>Total</b>					<b>6,377,538,606</b>									
<b>Market Value of Property (Building and its facilities)</b>			PhP		<b>6,377,538,606</b>									
<b>Rounded to</b>			PhP		<b>6,377,539,000</b>									

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php6,377,539,000.**

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

One Techno Place

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.<sup>®</sup>**  
**ASSET VALUATION SOLUTIONS**

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Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-008**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **One Techno Place (building and its facilities)**, bounded by **Megawold Boulevard, Enterprise Road, and Festive Walk Boulevard, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City.**

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION ONE HUNDRED TWO MILLION FIVE HUNDRED SEVENTY THOUSAND (Php1,102,570,000) PESOS**.

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:rca:mfm

**CAI File No. 11-2024-1058-008**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-008**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

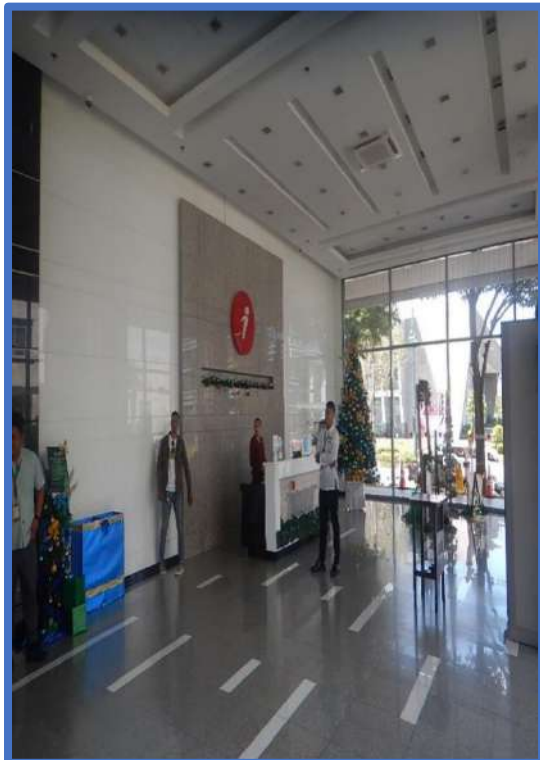
Based on the documents provided to us by the client, the appraised property is the **One Techno Place (building and its facilities)** bounded **on the northwest side by Megaworld Boulevard, on the northeast side by Enterprise Road, and on the southeast side by Festive Walk Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City.**

The property is located across Iloilo Convention Center, approximately 165 meters south from Festive Walk Mall; 440 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 925 meters southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.50 kilometers northwest from SM City Iloilo.

Megaworld Boulevard, Enterprise Road, and Festive Walk are 30, 20, and 20 meters wide, correspondingly. All are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

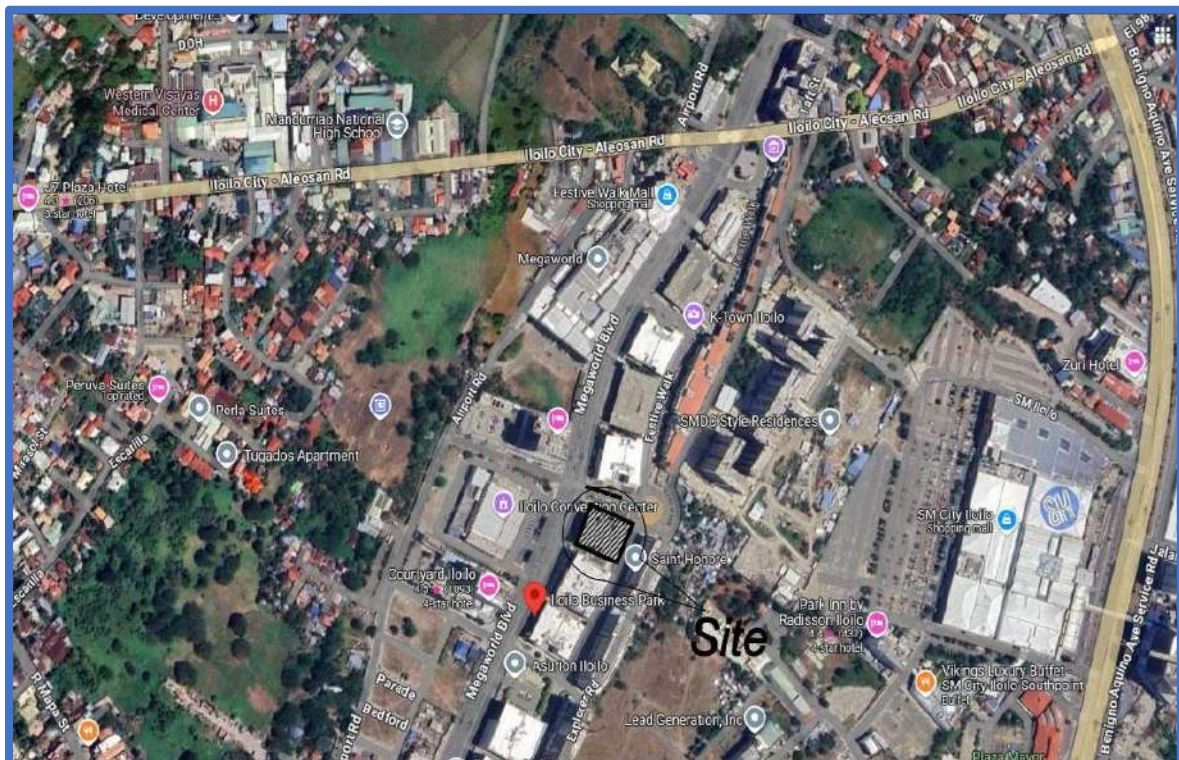
### ONE TECHNO PLACE







**ONE TECHNO PLACE**



**VICINITY MAP**

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### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- Two Global Center
- Two Techno Place
- Three Techno Place
- Richmonde Hotel and Tower
- Countryard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing, and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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



## VI. DESCRIPTION OF THE BUILDING

### One Techno Place

This is a four (4)-storey reinforced concrete frame office building having a reinforced concrete slab roof covered with waterproofing membrane and thermo plastic polymer roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, plain cement with epoxy paint finished concrete floors.

The building is painted and provided with electrical lighting, telecommunication and plumbing facilities. Also equipped with air conditioning system, stand-by genset, four (4) passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 11,753-square meters and 9,549-square meter, allocated as follows:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	1,036	842	Retail units, lobby area, utilities rooms, administration office and comfort rooms
2/F	3,548	2,883	IQOR, two (2) comfort rooms and utility rooms
3/F	3,548	2,912	IQOR, two (2) comfort rooms and utility rooms
4/F	<u>3,548</u>	2,912	IQOR, two (2) comfort rooms and utility rooms
<b>Total -</b>	<b>11,753 sq.m.</b>	<b>9,549 sq.m.</b>	

The building construction was completed sometime in 2017. As observed, the estimated remaining economic life of this building is about 43 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;

2. Gross Leasable Area is 9,549-square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit		=	<u>3.493%</u>	
Average		=	4.633%	
Less: 20% withholding tax		=	<u>0.927%</u>	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b><u>9.10%</u></b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
1. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) ONE TECHNO PLACE														
STATISTICS														
Land Area														
Gross Floor Area (GFA)	11,753	(sq.m.)												
Gross Leasable Area (GLA)	9,549	(sq.m.)												
Vacancy Rate (incl. bad debts)	-	(ave)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%	years												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
		Year	1	2	3	4	5	6	7	8	9	10	Total	11
GROSS REVENUES		Escalation		-4.59%	4.47%	1.38%	9.89%	4.50%	4.50%	4.51%	4.51%	4.52%		4.52%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -														
Total Annual Revenues														
LESS:														
Vacancy Rate (incl. bad debts)	of gross revenues		89,615,917	85,502,043	89,328,126	90,562,147	99,517,662	103,995,710	108,680,236	113,580,954	118,708,042	124,072,167		129,680,229
Effective Gross Revenues			89,615,917	85,502,043	89,328,126	90,562,147	99,517,662	103,995,710	108,680,236	113,580,954	118,708,042	124,072,167	1,023,563,002	129,680,229
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -			26,224,826	27,076,795	28,118,670	28,888,975	30,553,889	31,735,702	32,964,500	34,098,512	35,570,834	36,952,469		38,387,769
Other Operating Expenses	of gross revenues		896,159	855,020	893,281	905,621	995,177	1,039,957	1,086,802	1,135,810	1,187,080	1,240,722		1,296,787
Capex Reserve			3,126,284	2,878,511	3,015,809	3,038,378	3,398,430	3,561,003	3,731,447	3,910,147	4,097,506	4,293,949		4,499,809
Total -			30,247,270	30,810,327	32,027,760	32,832,974	34,947,495	36,336,662	37,782,749	39,144,468	40,855,421	42,487,139		44,184,365
Total			30,247,270	30,810,327	32,027,760	32,832,974	34,947,495	36,336,662	37,782,749	39,144,468	40,855,421	42,487,139	357,472,263	44,184,365
NET OPERATING INCOME			59,368,647	54,691,716	57,300,366	57,729,173	64,570,167	67,659,048	70,897,487	74,436,486	77,852,622	81,585,028	666,090,739	85,495,864
ADD: Reversion Value (Resale Value)														1,676,389,489
LESS: Marketing Cost	0.00% of Resale Value													-
Net Reversion Value														1,676,389,489
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-	0.40072
Present Worth of Net Income			56,838,784	47,993,721	46,088,813	42,560,695	43,633,548	41,907,307	40,250,378	38,734,703	37,133,241	35,667,719	430,808,909	
Present Worth of Net Reversion Value														671,761,404
Total Present Value of Net Income														430,808,909
Present Worth of Net Reversion Value														671,761,404
Total														1,102,570,313
Market Value of the Building														
Rounded to														
			PhP											1,102,570,313
			PhP											1,102,570,000

On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of **Php1,102,570,000**



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

One West Campus

Located in  
**Mc Kinley West, Fort Bonifacio  
Taguig City, Metro Manila**



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Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Subject : **CAI File No. 11-2024-1058-016**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **One West Campus (building and its facilities)**, located at **No. 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION FIVE HUNDRED EIGHTY-SIX MILLION FIVE HUNDRED FOURTEEN THOUSAND (Php1,586,514,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**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. 11-2024-1058-016**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located in Fort Bonifacio, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

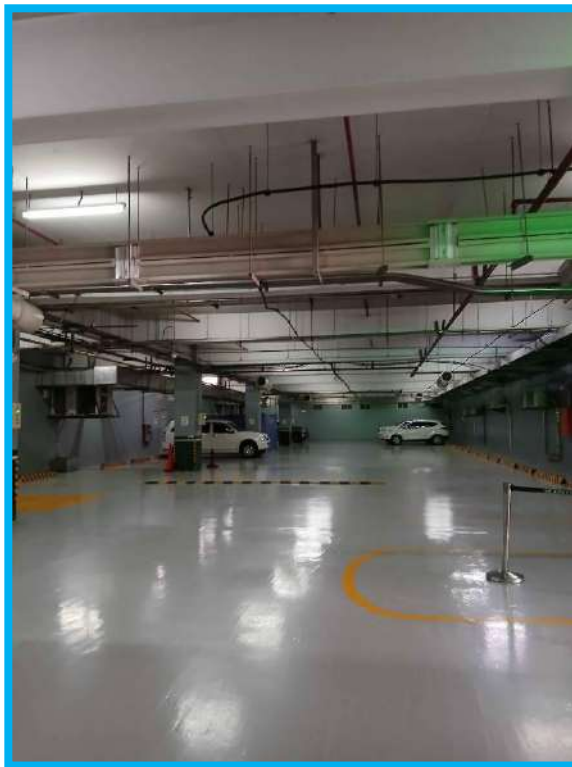
Based on the documents provided to us by the client, the appraised property is the **One West Campus (building and its facilities)** located at **No. 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

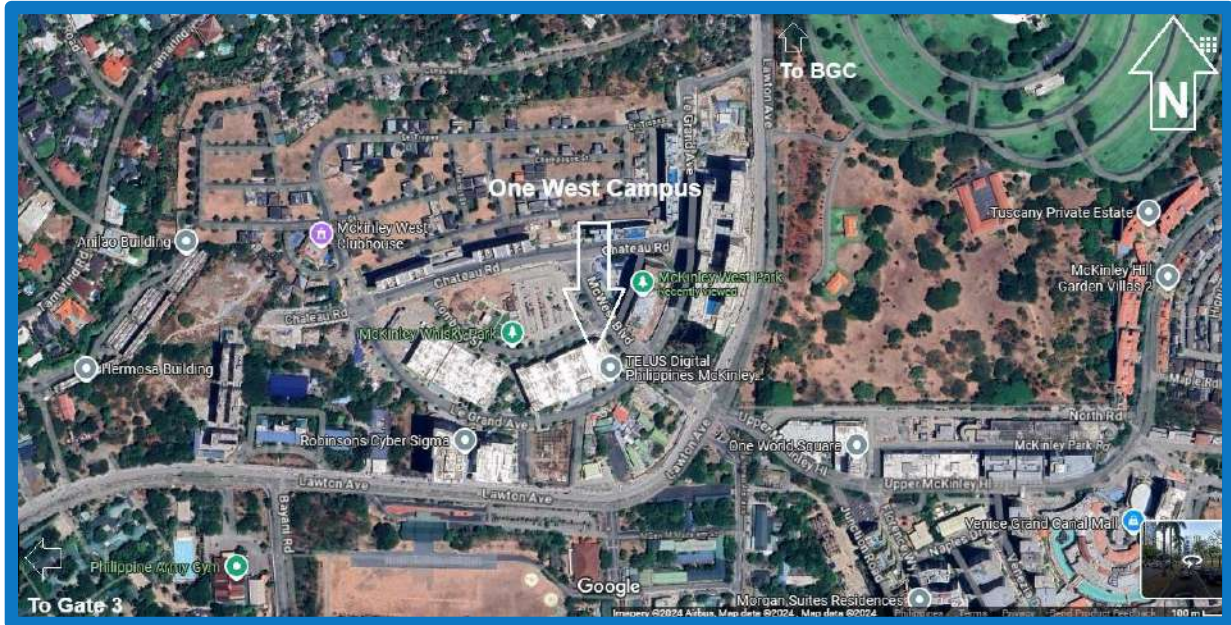
The site is located on the northwest side of Le Grand Avenue approximately 50 meters southwest of McWest Boulevard; 180 meters northwest of Lawton Boulevard; 900 meters southwest from the corner of Lawton Avenue and Old Lawton Avenue; 1.30 kilometers southwest of Mc Kinley Parkway; and about 3.30 kilometers southeast of EDSA and Ayala Avenue (One Ayala).

Le Grand Avenue is 20 meters wide, concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.



**ONE WEST CAMPUS**





**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

McKinley West is Megaworld's 34.5-hectare ultra-high-end township on the former JUSMAG property in Fort Bonifacio beside Forbes Park and Manila Polo Club.

Aside from an exclusive residential village where lots have appreciated as much as 110 percent since its launch in 2010, McKinley West have rows of luxury residential estates, which include properties having their own state-of-the-art security features and first-of-its-kind luxury amenities.

The posh residential enclave is supplemented by a modern business district, living up to the lifestyle of the neighboring Forbes Park. Residents and people working in McKinley West enjoy direct access to McKinley Hill, as well as more convenient access to Fort Bonifacio, South Luzon Expressway, C5 Road, the Ninoy Aquino International Airport (NAIA), and the Makati CBD.

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

Some of the important improvements in the vicinity are:

- The Albany Luxury Residences
- McKinley Village
- Upper McKinley Hill
- Dasmariñas Village
- Forbes Park
- Bonifacio Global City
- Manila Polo Club
- Manila Golf and Country Club
- Manila American Cemetery and Memorial



Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City and its neighboring towns/cities is available along Epifanio delos Santos Avenue which is approximately 3.30 kilometers from EDSA. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **One West Campus Building**

This is a five (5)-storey reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill and insulated steel doors; slab ceramic tile, vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 11,586.16-square meters and 9,704.33-square meter, as allocated on the next page:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)
Ground	1,961.14	423.77
Parking	-	-
Second	2,406.26	2,320.14
Third	2,406.26	2,320.14
Fourth	2,406.26	2,320.14
Fifth	<u>2,406.26</u>	<u>2,320.14</u>
<b>Total -</b>	<b>11,586.16</b>	<b>9,704.33</b>

The building construction was completed sometime in 2024. As observed, the remaining economic life of this building is about 47 years.

The whole leasable area of this building is occupied by TELUS.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases. Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 9,704.33-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate			=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit			=	<u>3.493%</u>	
Average			=	4.633%	
Less: 20% withholding tax			=	<u>0.927%</u>	
			=	3.707%	
Plus: Recapture rate of the building	=	1/REL of the Bldg.			
	=	1/40 yrs x 100	=	<u>2.50%</u>	
		Cap Rate	=	<b>6.207%</b>	
Plus: Inflation Rate			=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
		Discount Rate	=	<b>9.107%</b>	
		Say	=	<u><b>9.10%</b></u>	
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4.23 % based on the average escalation rate
7. Capitalization rate adopted to arrive at the terminal value is 4.87% (discount rate less average growth rate of gross revenue);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention to sale this property on the end of the 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP)													
ONE WEST CAMPUS													
<b>STATISTICS</b>													
Land Area	-	sq.m.											
Gross Floor Area	11,586.16	sq.m.											
Gross Leasable Area	9,704.33	sq.m.											
VacancyRate (incl. bad debts)	-	(ave.)											
Terminal Capitalization Rate	4.87%												
Discount Rate	9.10%												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>	Escalation			4.66%	0.74%	4.66%	4.66%	4.66%	4.67%	4.67%	4.68%	4.68%	5.00%
Rental Income													
Rental Income - PAS Adjustment													
Rental Income - deferred credits amortization													
Rental Income - penalties													
Income from dues - net													
Total Annual Gross Rental													
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
VacancyRate (incl. bad debts)	of gross revenues												
			102,857,642	107,649,334	108,444,402	113,492,741	118,781,550	124,322,437	130,127,571	136,209,718	142,582,265	149,259,251	156,722,214
<b>Effective Gross Revenues</b>			<b>102,857,642</b>	<b>107,649,334</b>	<b>108,444,402</b>	<b>113,492,741</b>	<b>118,781,550</b>	<b>124,322,437</b>	<b>130,127,571</b>	<b>136,209,718</b>	<b>142,582,265</b>	<b>149,259,251</b>	<b>1,233,726,911</b>
<b>LESS EXPENSES:</b>													
<b>Cost of Services</b>													
Outside Services													
Management Fees - FM													
Management Fees - PM													
Land Lease													
Utilities													
Taxes, Licences and Fees - RPT													
Taxes, Licences and Fees - Others													
Repairs and Maintenance													
Supplies and Materials													
Miscellaneous													
Total of Cost of Services -			23,743,547	25,765,153	26,331,022	27,394,173	28,501,741	29,655,641	30,857,873	32,110,527	33,415,783	34,775,922	36,191,302
<b>Other Operating Expenses</b>			1,028,576	1,076,493	1,084,444	1,134,927	1,187,816	1,243,224	1,301,276	1,362,097	1,425,823	1,492,593	1,553,341
<b>Capex Reserve</b>			3,904,276	4,040,384	4,051,447	4,248,182	4,454,600	4,671,179	4,898,421	5,136,855	5,387,033	5,649,537	5,924,669
Total -			28,676,399	30,882,030	31,466,913	32,777,282	34,144,156	35,570,044	37,057,570	38,609,479	40,228,639	41,918,052	43,669,313
<b>Total -</b>			<b>28,676,399</b>	<b>30,882,030</b>	<b>31,466,913</b>	<b>32,777,282</b>	<b>34,144,156</b>	<b>35,570,044</b>	<b>37,057,570</b>	<b>38,609,479</b>	<b>40,228,639</b>	<b>41,918,052</b>	<b>351,330,564</b>
<b>NET OPERATING INCOME</b>			<b>74,181,242</b>	<b>76,767,304</b>	<b>76,977,489</b>	<b>80,715,458</b>	<b>84,637,394</b>	<b>88,752,393</b>	<b>93,070,001</b>	<b>97,600,240</b>	<b>102,353,626</b>	<b>107,341,199</b>	<b>113,052,901</b>
<b>ADD: Reversion Value (Resale Value)</b>													2,322,049,109.03
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												
<b>Net Reversion Value</b>													2,322,049,109
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.43718
<b>Present Worth of Net Income</b>			<b>71,020,173</b>	<b>67,365,752</b>	<b>61,915,854</b>	<b>59,507,279</b>	<b>57,194,057</b>	<b>54,972,305</b>	<b>52,838,301</b>	<b>50,788,485</b>	<b>48,819,447</b>	<b>46,927,921</b>	<b>571,349,572</b>
<b>Present Worth of Net Reversion Value</b>													1,015,164,144
<b>Total Present Value of Net Income</b>													571,349,572
<b>Present Worth of Net Reversion Value</b>													1,015,164,144
<b>Total</b>													1,586,513,716
<b>Market Value of Property (Building and its facilities)</b>	PhP												1,586,513,716
<b>Rounded to</b>	PhP												1,586,514,000

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php1,586,514,000.**



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

One World Square

Located in  
**McKinley Hill, Barangay Pinagsama  
Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
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Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-002**  
Market Value Appraisal of Property

Madam :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **One World Square (building and its facilities)**, located along **Upper McKinley Road, McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FIVE BILLION ONE HUNDRED TWENTY-TWO MILLION EIGHT HUNDRED THIRTY-TWO THOUSAND (Php5,122,832,000) PESOS**.

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

JLT:mfm

**CAI File No. 11-2024-1058-002**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-002**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

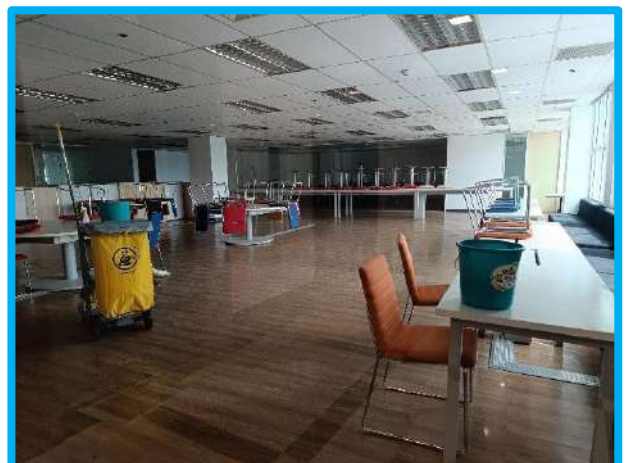
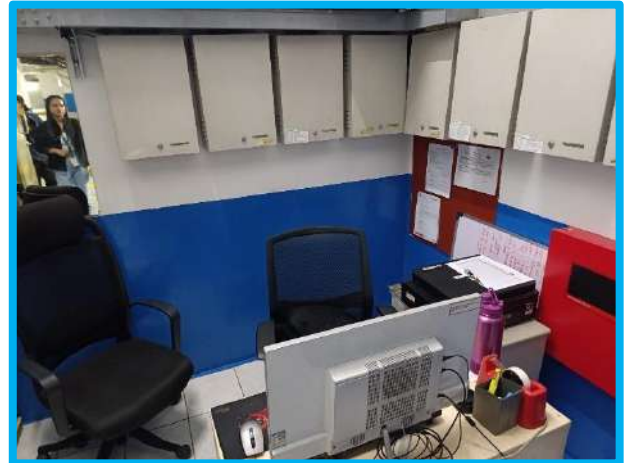
### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **One World Square (building and its facilities)**, located **within McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila**.

The site of One World Square is bounded by Upper McKinley Road on the southwest, Florence Way on the east and North Road on the north side. It is located approximately 270 meters northwest of the Chinese International School, measured from its entrance along North Road; 470 meters northwest from Venice Grand Canal; 800 meters southwest from Tuscany Private Estate; 950 meters southwest from Korean International School; 1.20 kilometers southwest from Korean Embassy; and 1.30 kilometer southwest from Upper McKinley Road corner Carlos P. Garcia Avenue (C-5 Road).

Upper McKinley Road, Florence Way, and North Road are correspondingly 30, 6 and 10 meters wide. These are all concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**ONE WORLD SQUARE**







**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

One World Square is within Upper McKinley Hill, part of the larger McKinley Hill development in Taguig City, Metro Manila, Philippines, is a 50-hectare Italian-themed urban township developed by Megaworld Corporation. This integrated community seamlessly combines residential, office, commercial, retail, sports, recreation, and institutional components, creating a vibrant mini-city environment.

McKinley Hill boasts over 270,000 square meters of office space, accommodating numerous businesses and multinational companies. The township is known for its campus-type office buildings, many accredited as PEZA special economic zones for information technology, resembling those in Silicon Valley.

Strategically located at the junction of Lawton Avenue, McKinley Road, and C-5, McKinley Hill provides easy access to major thoroughfares, making it convenient for residents and professionals commuting to and from the area.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicle and pedestrian traffic loads. Major thoroughfares are concreted with widths ranging from 6 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Chinese International School
- Venice Grand Canal
- Venice Luxury Residences
- Philippine Army National Headquarters
- Enderun Colleges
- McKinley Stadium
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Taguig City and its neighboring towns/cities is available along Carlos P. Garcia Avenue (C-5 Road) which is approximately 1.30 kilometers from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **One World Square**

One World Square comprises of three connecting towers, namely: Tower A, B and C. Tower A is five (5) storey with basement, Tower B is eight(8) storeys; and Tower C is eleven (11) storey.

These towers are reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, acoustic board on T-runner ceilings; glass walls; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill, wood and steel louver doors; carpeted, ceramic tile, wood vinyl tile, plain cement with epoxy paint floors.

These are painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 36,807.46-square meters and 30,481.74-square meter, as allocated on the next page:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	4,466.51	3,674.82	Philippine Seven Corporation, 7 Eleven, Starbucks Coffee, Rustan Coffee Corporation, McDonalds, Golden Arches Development Corporation, Bacolod Chicken Inasal, Bank Of The Philippine Islands, The Sandwich Guy, TSG Empire Corporation, Gay Annette Ang, Binalot, Golden Donuts, Inc., Dunkin Donuts Café, Suntrust Properties, Inc., Mckinley Group Inc., Romantic Baboy, Scott Foods, Corp., Hansburry, Inc., Tokyo Tokyo and Zuspresso Philippines, Inc.
Second	5,571.52	4,614	CGI (Philippines) Inc. (Formerly Logica (Philippines))
Third	6,187.36	5,106	Megaworld Corporation, Cai-Sta Philippines Inc., Suntrust Properties, Inc.
Fourth	6,120.77	5,068.86	IQVIA Solutions Operations Center Philippines, Inc.
Fifth	5,697.10	4,761	Ericsson Telecommunications Inc., Megaworld Corporation, Vipre Security Group Philippines, Inc., CGI (Philippines) Inc. (Formerly Logica (Philippines))
Sixth	2,720.55	2,253	Access Healthcare Services Manila, Inc.
Seventh	2,684.33	2,223	Anthem Solutions Inc.
Eight	842.85	698	-
Ninth	891.15	738	-
Tenth	812.66	673	-
Eleventh	812.66	673	Western Union Financial Services (Hong Kong) Limited Ph
<b>Total -</b>	<b>36,807.46</b>	<b>30,481.84</b>	

The building construction was completed sometime in 2007. As observed, the remaining economic life of this building is about 45 years.

## VII. HIGHEST AND BEST USE

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

**Highest and Best Use** is 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.



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**VIII. VALUATION**

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**By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses.

These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

**Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the assumptions/estimates shown on the next page:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 30,481.84-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	3.493%	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4.35% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 4.75% (discount rate less growth rate of the gross revenue);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention sale this property on the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP)														
ONE WORLD SQUARE														
STATISTICS														
Land Area		-	sq.m.											
Gross Floor Area		38,807.46	sq.m.											
Gross Leasable Area		30,481.84	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		4.75%												
Discount Rate		9.10%												
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES			Escalation		5.41%	4.00%	4.16%	3.45%	4.48%	4.62%	4.66%	4.56%	3.81%	
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)			of gross revenues											
				327,022,419	344,718,248	358,495,839	373,424,909	386,301,471	403,607,688	422,260,833	441,940,099	462,103,183	479,705,900	497,979,150
Effective Gross Revenues				327,022,419	344,718,248	358,495,839	373,424,909	386,301,471	403,607,688	422,260,833	441,940,099	462,103,183	479,705,900	3,999,580,589
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -				70,185,963	76,637,995	79,513,832	82,565,951	85,433,915	88,851,882	92,473,235	96,263,513	100,163,292	103,830,496	107,631,965
Other Operating Expenses				3,270,224	3,447,182	3,584,958	3,734,249	3,863,015	4,036,077	4,222,608	4,419,401	4,621,032	4,797,059	4,979,791
Capex Reserve				12,678,312	13,231,653	13,769,852	14,356,235	14,850,227	15,535,986	16,278,250	17,062,859	17,865,943	18,553,917	19,271,540
Total -				86,134,499	93,316,831	96,868,643	100,656,435	104,147,157	108,423,945	112,974,093	117,745,774	122,650,267	127,181,472	131,883,296
T total -				86,134,499	93,316,831	96,868,643	100,656,435	104,147,157	108,423,945	112,974,093	117,745,774	122,650,267	127,181,472	1,070,099,116
NET OPERATING INCOME				240,887,921	251,401,416	261,627,196	272,768,474	282,154,315	295,183,743	309,286,741	324,194,325	339,452,916	352,524,427	366,095,854
ADD: Reversion Value (Resale Value)														7,708,048,967.76
LESS: Marketing Cost			0.0%	of Resale Value										-
Net Reversion Value														7,708,048,968
Present Worth Factor @			9.1%	discount rate	0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718
Present Worth of Net Income				230,623,016	220,612,743	210,436,471	201,097,906	190,666,906	182,833,725	175,590,260	168,701,824	161,908,319	154,118,256	1,896,589,425
Present Worth of Net Reversion Value														3,226,242,137
Total Present Value of Net Income					1,896,589,425									
Present Worth of Net Reversion Value					3,226,242,137									
Total					5,122,831,562									
Market Value of Property (Building and its facilities)				PhP	5,122,831,562									
Rounded to				PhP	5,122,832,000									

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **PhP5,122,831,562.**

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

**Two Fintech Place**

Located in  
**Iloilo Business Park, Barangay San Rafael**  
**Mandurriao District, Iloilo City**



Manila  
(632) 8631-1645

Cebu  
(632) 8233-150

Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-020**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Two Fintech Place (building and its facilities)**, located along **Megaworld Boulevard and extending towards Festive Walk Road, within Iloilo Business Park, Barangay San Rafael, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION ONE HUNDRED SIXTY-FIVE MILLION ONE HUNDRED FORTY-SIX THOUSAND (Php2,165,146,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:mfm



**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. 11-2024-1058-020**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay San Rafael, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Evandre John T. Malala (client's representative), the appraised property is the **Two Fintech Place (building and its facilities)**, located **on the northwest side by Megaworld Boulevard and extending towards southeast side by Festive Walk Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City.**

The property is located beside One Fintech Place, approximately 55 meters southwest from the intersection of Marriot Driveway and Megaworld Boulevard; 225 meters southwest from the intersection of Enterprise Road and Megaworld Boulevard; 530 meters southwest from Festive Walk Mall; 725 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.40 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.80 kilometers northwest from SM City Iloilo.

Megaworld Boulevard and Festive Walk are 30 and 20 meters wide, respectively. All are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

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### ROOF DECK OF TOWERS A AND B



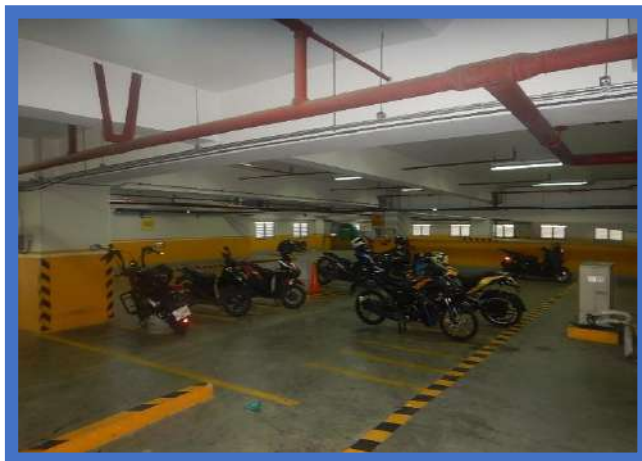
### TWO FINTECH PLACE



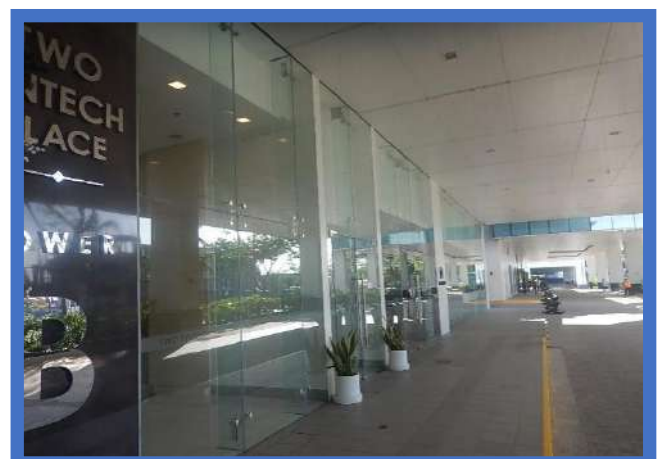
### COMMERCIAL SPACES



**HALLWAYS AND COMMON AREAS**



**PARKING AREAS ON THE 2<sup>ND</sup> AND 3<sup>RD</sup> FLOORS**



**GROUND FLOOR AND RETAIL AREAS**





**VIEW OF TWO FINTECH PLACE TAKEN ALONG MEGAWORLD BOULEVARD**



**VICINITY MAP**

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### III. NEIGHBORHOOD DATA

Iloilo Business Park (IBP) is a 72-hectare mixed-use development located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- One Fintech Place
- Festive Walk Transport Hub
- Richmonde Hotel and Tower
- Countyard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### V. LAND DATA

No copy of the title or any land ownership document was given to us. Reportedly, the land is the portion of Lot 10 with leased land has an area of 3,732 square meters or the total land area is 11,029 square meters owned by the **MEGAWORLD**.

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

## VI. DESCRIPTION OF THE BUILDING

### Two Fintech Place

This is a twin tower eight (8)-storey reinforced concrete frame office building having a reinforced concrete slab roof with waterproofing membrane and thermoplastic polymer covered roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors. Each tower is provided with a 200 cubic meter supply of water located at the ground floor.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

Parking slots located on the 2<sup>nd</sup> and 3<sup>rd</sup> floor consist of concrete soffit slab ceiling; cement plastered concrete hollow block and steel grilles walls; and plain cement with epoxy paint finished concrete floors. The total number of parking spaces for the motorcycle is thirty (30) slots and for the car slot it is one hundred sixty-seven (167).

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, six (6) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 30,096 square meters and 18,053 square meters, respectively, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	
Ground	6,301	893	Retail units, lobby area, utilities rooms, recruitment area, administration office and comfort rooms, Megaworld and Asurion
Second	-	-	Parking area and utility rooms
Third	-	-	Parking area and utility rooms
Fourth	4,762	-	Nearson Enterprise Corp, two (2) comfort rooms and utility rooms
Fifth	4,758	3,434	Nearson Enterprise Corp, VCIT, two (2) comfort rooms and utility rooms
Sixth	4,758	3,432	Asurion, two (2) comfort rooms and utility rooms
Seventh	4,758	3,432	Asurion, two (2) comfort rooms and utility rooms
Eight	4,758	3,432	Conectys, two (2) comfort rooms and utility rooms
<b>Total -</b>	<b>30,096</b>	<b>18,053</b>	

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The building construction was completed sometime in 2020. As observed, the estimated remaining economic life of this building is about 46 years.

## **VII. HIGHEST AND BEST USE**

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

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

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases. Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.



## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 18,053-square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP	
Below one year time deposit		=	3.493%		
Average		=	4.633%		
Less: 20% withholding tax		=	0.927%		
		=	3.707%		
Plus: Recapture rate of the building	= 1/REL of the Bldg.				
	= 1/40 yrs x 100	=	2.50%		
	<b>Cap Rate</b>	=	<b>6.207%</b>		
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)	
	<b>Discount Rate</b>	=	<b>9.107%</b>		
	<b>Say</b>	=	<b>9.10%</b>		
Note: REL - Remaining Economic Life The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) TWO FINTECH PLACE														
STATISTICS														
Land Leased Area		4,127	sq.m.											
Gross Floor Area (GFA)		30,096	sq.m.											
Gross Leasable Area (GLA)		18,053	sq.m.											
Vacancy Rate (incl. bad debts)	-	(ave)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%	years												
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		Year		1	2	3	4	5	6	7	8	9	10	Total
GROSS REVENUES		Escalation			5.63%	4.36%	4.59%	4.60%	4.61%	2.81%	4.61%	4.61%	4.62%	4.62%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -		-												
Total Annual Revenues														
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues		161,191,155	170,267,554	177,698,354	185,861,290	194,416,607	203,373,868	209,088,461	218,724,930	228,814,594	239,379,111	250,431,398
Effective Gross Revenues				161,191,155	170,267,554	177,698,354	185,861,290	194,416,607	203,373,868	209,088,461	218,724,930	228,814,594	239,379,111	1,988,815,925
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -				47,571,418	51,136,037	53,092,071	55,169,908	57,332,524	59,582,416	61,509,205	63,924,004	66,436,419	69,050,522	71,767,484
Other Operating Expenses		of gross revenues		1,611,912	1,702,676	1,776,984	1,858,613	1,944,166	2,033,739	2,090,885	2,187,249	2,288,146	2,393,791	2,504,314
Capex Reserve				5,600,391	5,871,442	6,141,465	6,441,638	6,756,996	7,087,886	7,274,419	7,630,684	8,004,501	8,396,740	8,808,199
Total -				54,783,721	58,710,155	61,010,519	63,470,160	66,033,686	68,704,040	70,874,509	73,741,937	76,729,066	79,841,053	83,079,997
Total				54,783,721	58,710,155	61,010,519	63,470,160	66,033,686	68,704,040	70,874,509	73,741,937	76,729,066	79,841,053	83,079,997
NET OPERATING INCOME				106,407,434	111,557,399	116,687,835	122,391,131	128,382,921	134,669,828	138,213,953	144,982,993	152,085,528	159,538,058	167,351,402
ADD: Reversion Value (Resale Value)														3,281,400,033
LESS: Marketing Cost		0.00% of Resale Value												-
Net Reversion Value														3,281,400,033
Present Worth Factor @	9.10%	discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072
Present Worth of Net Income				101,873,117	97,895,167	93,856,359	90,232,569	86,755,272	83,413,084	78,467,716	75,445,169	72,539,993	69,747,584	850,226,030
Present Worth of Net Reversion Value														1,314,919,897
Total Present Value of Net Income					850,226,030									
Present Worth of Net Reversion Value					1,314,919,897									
Total					2,165,145,927									
Market Value of the Building			PhP		2,165,145,927									
Rounded to			PhP		2,165,146,000									

On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of Php2,165,146,000.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Two Global Center

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**

 **Cuervo Appraisers, Inc.**<sup>®</sup>  
ASSET VALUATION SOLUTIONS

Manila  
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Iloilo  
(033) 8339-0667

[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-013**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by **MREIT, INC.** for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Two Global Center (building and its facilities)**, located along **Megaworld Boulevard corner Enterprise Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION FIVE HUNDRED THIRTY MILLION FOUR HUNDRED FORTY-ONE THOUSAND (Php1,530,441,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:moa

**CAI File No. 11-2024-1058-013**



**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-013**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Arvin N. Muyong (client's representative), the appraised property is the **Two Global Center (building and its facilities)**, located **on the north corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao, Iloilo City**.

The property is located across Richmonde Tower, approximately 75 meters southwest from Festive Walk Mall; 400 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.40 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.65 kilometers northwest from SM City Iloilo.

Megaworld Boulevard and Enterprise Road are 30 and 20 meters wide, respectively. Both are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

**TWO GLOBAL CENTER**



**ROOFDECK AND LOBBY**



**COMMERCIAL SPACES**



**RETAIL SPACES**





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### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development, located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- One Global Center
- Festive Walk Transport Hub
- Two Techno Place
- Richmonde Hotel and Tower
- Countryard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

## VI. DESCRIPTION OF THE BUILDING

### Two Global Center

This is a twin tower four (4)-storey reinforced concrete frame office building, having a reinforced concrete slab roof covered with waterproofing membrane roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. The building is equipped with an air conditioning system, stand-by genset, four (4) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 13,203 square meters and 9,903 square meters, respectively, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	1,758	1,003	Retail units, lobby area, utility rooms, administration office, and comfort rooms
Second	3,815	-	Nearson Inc., two (2) comfort rooms, and utility rooms
Third	3,815	2,966	Concentrix, two (2) comfort rooms, and utility rooms
Fourth	3,815	2,966	Concentrix, two (2) comfort rooms, and utility rooms
<b>Total -</b>	<b>13,203</b>	<b>9,903</b>	

The building construction was completed sometime in 2014. As observed, the estimated remaining economic life of this building is about 40 years.

## VII. HIGHEST AND BEST USE

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



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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates on the next page:



1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 9,903 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	3.493%	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in Ph P) TWO GLOBAL CENTER													
ST AT IST ICS													
Land Area													
Gross Floor Area (GFA)	13,203	(sq.m.)											
Gross Leasable Area (GLA)	9,903	(sq.m.)											
Vacancy Rate (incl. bad debts)	-	(ave)											
Terminal Capitalization Rate	5.10%												
Discount Rate	9.10%	years											
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		Year	1	2	3	4	5	6	7	8	9	10	Total
GROSS REVENUES		Escalation		4.66%	1.53%	4.67%	4.63%	4.42%	4.58%	4.58%	4.59%	4.59%	4.59%
Rental Income													
Rental Income - PAS Adjustment													
Rental Income - deferred credits amortization													
Rental Income - penalties													
Income from dues - net													
Total Annual Gross Rental -	-												
Total Annual Revenues													
LESS:													
Vacancy Rate (incl. bad debts)	of gross revenues		110,684,560	115,837,965	117,609,324	123,105,094	128,804,038	134,499,395	140,659,666	147,108,186	153,858,676	160,925,519	168,312,000
Effective Gross Revenues			110,684,560	115,837,965	117,609,324	123,105,094	128,804,038	134,499,395	140,659,666	147,108,186	153,858,676	160,925,519	1,333,092,422
LESS EXPENSES:													
Cost of Services													
Outside Services													
Management Fees - FM													
Management Fees - PM													
Land Lease													
Utilities													
Taxes, Licenses and Fees - RPT													
Taxes, Licenses and Fees - Others													
Repairs and Maintenance													
Supplies and Materials													
Miscellaneous													
Total Cost of Services -			27,918,200	30,061,811	30,855,999	32,091,836	33,372,150	34,674,331	36,052,098	37,486,295	38,979,308	40,533,626	42,149,923
Other Operating Expenses	of gross revenues		1,106,846	1,158,380	1,176,093	1,231,051	1,288,040	1,344,994	1,406,597	1,471,082	1,538,587	1,609,255	1,683,169
Cap ex Reserve			4,082,976	4,230,889	4,278,862	4,489,110	4,707,192	4,924,003	5,160,049	5,407,540	5,667,039	5,939,132	6,224,289
Total -			33,108,022	35,451,079	36,310,954	37,811,997	39,367,383	40,943,328	42,618,743	44,364,917	46,184,934	48,082,013	50,057,381
Total			33,108,022	35,451,079	36,310,954	37,811,997	39,367,383	40,943,328	42,618,743	44,364,917	46,184,934	48,082,013	404,243,370
NET OPERATING INCOME			77,576,538	80,386,886	81,298,370	85,293,096	89,436,655	93,556,066	98,040,923	102,743,269	107,673,743	112,843,506	928,849,052
ADD: Reversion Value (Resale Value)													2,318,718,020
LESS: Marketing Cost	0.00% of Resale Value												-
Net Reversion Value													2,318,718,020
Present Worth Factor @ 9.10%	discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-
Present Worth of Net Income			74,270,786	70,542,050	65,391,299	62,882,131	60,437,177	57,947,650	55,660,424	53,464,776	51,356,974	49,333,445	601,286,711
Present Worth of Net Reversion Value													929,154,760
Total Present Value of Net Income													601,286,711
Present Worth of Net Reversion Value													929,154,760
Total													1,530,441,471
Market Value of the Building	Ph P		1,530,441,471										
Rounded to	Ph P		1,530,441,000										

On the basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Ph p 1,530,441,000**

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Two Techno Place

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.®**  
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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN ALRO JARDIN**

Subject : **CAI File No. 11-2024-1058-009**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.** for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Two Techno Place (building and its facilities)**, located **along Megaworld Boulevard and Festive Walk Boulevard, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION ONE HUNDRED TWENTY-EIGHT MILLION THREE HUNDRED SIXTY-SEVEN THOUSAND (Php1,128,367,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:rcs:moa

**CAI File No. 11-2024-1058-009**



**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-009**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Leo Sompreque (client's representative), the appraised property is the **Two Techno Place (building and its facilities)**, located **on the southeast side Megaworld Boulevard extending toward the northwest side of Festive Walk Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao, Iloilo City.**

The property is located across Iloilo Convention Center and in between One Techno Place and Three Techno Place. It is approximately 65 meters from the intersection of Megaworld Boulevard and Enterprise Road; 225 meters south from Festive Walk Mall; 500 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 985 meters southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.55 kilometers northwest from SM City Iloilo.

Megaworld Boulevard and Festive Walk Road are 30 meters and 20 meters wide, respectively. Both are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

**TWO TECHNO PLACE**



**ROOF DECK AREA**



**HALLWAYS AND OFFICE AREAS**



**LOBBY AND PARKING AREAS**



**VICINITY MAP**

### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development, located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- Two Global Center
- One Techno Place
- Three Techno Place
- Richmonde Hotel and Tower
- Countryard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

**V. LAND DATA**

No copy of the title or any land ownership document was given to us. Based on the project fact sheet provided the land is technically identified as Lot 7 owned by the **MEGAWORLD**.

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

**VI. DESCRIPTION OF THE BUILDING****Two Techno Place**

This is a twin tower five (5)-storey reinforced concrete frame office building, having a reinforced concrete slab roof covered with waterproofing membrane roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors. Both towers are provided with cistern tanks each having a volume capacity of 278 cubic meters.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

Parking slots consist of concrete soffit slab ceilings; cement plastered concrete hollow block and steel grille walls; and plain cement with epoxy paint finished concrete floors. It has eighty-six (86) parking spaces located on the second floor.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, four (4) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 19,522 square meters and 11,393 square meters, respectively, allocated on the next page:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	4,657	897	Retail units, lobby area, utilities rooms, administration office, and comfort rooms
Second	-	-	Parking area and utility room
Third	4,955	-	WNS Global Services, two (2) comfort rooms and utility rooms
Fourth	4,955	3,499	Xtendops Philippines, Inc. and comfort rooms and utility rooms
Fifth	4,955	3,499	IQOR, comfort rooms, and utility rooms
<b>Total -</b>	<b>19,522</b>	<b>11,393</b>	

The building construction was completed sometime in 2019. As observed, the estimated remaining economic life of this building is about 45 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property.

The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 11,393-square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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



5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under:

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate			=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit			=	<u>3.493%</u>	
Average			=	4.633%	
Less: 20% withholding tax			=	0.927%	
			=	3.707%	
Plus: Recapture rate of the building	=	1/REL of the Bldg.			
	=	1/40 yrs x 100	=	2.50%	
		Cap Rate	=	<b>6.207%</b>	
Plus: Inflation Rate			=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
		Discount Rate	=	<b>9.107%</b>	
		Say	=	<u><b>9.10%</b></u>	
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) TWO TECHNO PLACE														
STATISTICS														
Land Area														
Gross Floor Area (GFA)	19,522	(sq.m.)												
Gross Leasable Area (GLA)	11,393	(sq.m.)												
Vacancy Rate (incl. bad debts)	-	(ave)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%	years												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
GROSS REVENUES		Escalation	1	2	3	4	5	6	7	8	9	10	Total	11
				2.94%	3.20%	3.91%	-1.42%	8.92%	4.40%	4.41%	4.41%	4.42%		4.42%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -		-												
Total Annual Revenues														
LESS:														
Vacancy Rate (incl. bad debts)	of gross revenues		92,487,549	95,208,357	98,252,469	102,091,329	100,640,015	109,620,324	114,448,603	119,495,449	124,770,992	130,285,840		136,044,474
Effective Gross Revenues			92,487,549	95,208,357	98,252,469	102,091,329	100,640,015	109,620,324	114,448,603	119,495,449	124,770,992	130,285,840	1,087,300,926	136,044,474
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -			29,486,329	31,182,552	32,241,377	33,415,028	34,016,784	35,824,115	37,190,006	38,609,306	40,084,163	41,616,818		43,208,245
Other Operating Expenses	of gross revenues		924,875	952,084	982,525	1,020,913	1,006,400	1,096,203	1,144,486	1,194,954	1,247,710	1,302,858		1,360,445
Capex Reserve			3,103,817	3,153,686	3,251,428	3,362,769	3,280,842	3,635,000	3,805,706	3,984,559	4,171,956	4,368,308		4,573,881
Total -			33,515,022	35,288,322	36,475,330	37,818,710	38,304,026	40,555,319	42,140,198	43,788,820	45,503,829	47,287,984		49,142,570
Total			33,515,022	35,288,322	36,475,330	37,818,710	38,304,026	40,555,319	42,140,198	43,788,820	45,503,829	47,287,984	400,677,559	49,142,570
NET OPERATING INCOME			58,972,527	59,920,035	61,777,139	64,272,618	62,335,989	69,065,006	72,308,405	75,706,629	79,267,163	82,997,855	686,623,367	86,901,903
ADD: Reversion Value (Resale Value)														1,703,958,890
LESS: Marketing Cost	0.00% of Resale Value													-
Net Reversion Value														1,703,958,890
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-	0.40072
Present Worth of Net Income			56,459,544	52,581,738	49,689,648	47,384,834	42,123,794	42,778,143	41,051,393	39,395,651	37,807,933	36,285,385	445,558,062	
Present Worth of Net Reversion Value														682,808,992
Total Present Value of Net Income														445,558,062
Present Worth of Net Reversion Value														682,808,992
Total														1,128,367,054
Market Value of the Building			PhP											1,128,367,054
Rounded to			PhP											1,128,367,000

On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of Php1,128,367,000.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Two West Campus

Located in  
**Mc Kinley West, Fort Bonifacio**  
**Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-017**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Two West Campus (building and its facilities)** located at **No. 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION THREE HUNDRED SIXTY-SEVEN MILLION NINE HUNDRED SIXTY-SEVEN THOUSAND (Php1,397,967,000) PESOS.**


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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**CAI File No. 11-2024-1058-017**



**LIMITING CONDITIONS**

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

CAI File No. 11-2024-1058-017

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Fort Bonifacio, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **Two West Campus (building and its facilities)**, located at **No. 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The site is located on the northwest side of Le Grand Avenue approximately 50 meters southwest of McWest Boulevard; 180 meters northwest of Lawton Boulevard; 900 meters southwest from the corner of Lawton Avenue and Old Lawton Avenue; 1.30 kilometers southwest of Mc Kinley Parkway; and about 3.30 kilometers southeast of EDSA and Ayala Avenue (One Ayala).

Le Grand Avenue is 20 meters wide, concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**TWO WEST CAMPUS**







### Vicinity Map

### III. NEIGHBORHOOD DATA

McKinley West is Megaworld's 34.5-hectare ultra-high-end township on the former JUSMAG property in Fort Bonifacio beside Forbes Park and Manila Polo Club.

Aside from an exclusive residential village where lots have appreciated as much as 110 percent since its launch in 2010, McKinley West have rows of luxury residential estates, which include properties having their own state-of-the-art security features and first-of-its-kind luxury amenities.

The posh residential enclave is supplemented by a modern business district, living up to the lifestyle of the neighboring Forbes Park. Residents and people working in McKinley West enjoy direct access to McKinley Hill, as well as more convenient access to Fort Bonifacio, South Luzon Expressway, C5 Road, the Ninoy Aquino International Airport (NAIA), and the Makati CBD.

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

Some of the important improvements in the vicinity are:

- The Albany Luxury Residences
- McKinley Village
- Upper McKinley Hill
- Dasmariñas Village
- Forbes Park
- Bonifacio Global City
- Manila Polo Club
- Manila Golf and Country Club
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City and its neighboring towns/cities is available along Epifanio delos Santos Avenue which is approximately 3.30 kilometers from EDSA. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **Two West Campus Building**

This is a five (5)-storey reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill and insulated steel doors; slab ceramic tile, vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 11,586.16-square meters and 9,704.33-square meter, allocated on the next page:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)
Ground	917.61	-
Parking	-	-
Second	2,723.46	2,348.58
Third	2,723.46	2,348.58
Fourth	2,687.51	2,317.58
Fifth	2,687.51	2,317.58
<b>Total -</b>	<b>11,739.53</b>	<b>9,332.32</b>

The building construction was completed sometime in 2016. As observed, the remaining economic life of this building is about 41 years.

The whole leasable area of this building is occupied by TELUS.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 9,333.32-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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



5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate			=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit			=	<u>3.493%</u>	
Average			=	4.633%	
Less: 20% withholding tax			=	<u>0.927%</u>	
			=	3.707%	
Plus: Recapture rate of the building	=	1/REL of the Bldg.			
	=	1/40 yrs x 100	=	<u>2.50%</u>	
		Cap Rate	=	<b>6.207%</b>	
Plus: Inflation Rate			=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
		Discount Rate	=	<b>9.107%</b>	
		Say	=	<b><u>9.10%</u></b>	
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4.23 % based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 4.87% (discount rate less average growth rate of gross revenue);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention to sell this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in Php)													
TWO WEST CAMPUS													
<b>STATISTICS</b>													
Land Area	-	sq.m.											
Gross Floor Area	11,739.53	sq.m.											
Gross Leasable Area	9,332.32	sq.m.											
Vacancy Rate (incl. bad debts)	-	(ave.)											
Terminal Capitalization Rate	4.87%												
Discount Rate	9.10%												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>GROSS REVENUES</b>	Escalation		1	2	3	4	5	6	7	8	9	10	Totals
				4.66%	0.94%	4.50%	4.66%	4.66%	4.67%	4.67%	4.67%	4.68%	11
Rental Income													
Rental Income - PAS Adjustment													
Rental Income - deferred credits amortization													
Rental Income - penalties													
Income from dues - net													
Total Annual Gross Rental													
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
Vacancy Rate (incl. bad debts)	of gross revenues												
			97,200,144	101,728,762	102,684,809	107,300,528	112,298,137	117,532,767	123,015,818	128,759,246	134,775,589	141,077,991	148,131,891
<b>Effective Gross Revenues</b>			<b>97,200,144</b>	<b>101,728,762</b>	<b>102,684,809</b>	<b>107,300,528</b>	<b>112,298,137</b>	<b>117,532,767</b>	<b>123,015,818</b>	<b>128,759,246</b>	<b>134,775,589</b>	<b>141,077,991</b>	<b>1,166,373,791</b>
<b>LESS EXPENSES:</b>													
<b>Cost of Services</b>													
Outside Services													
Management Fees - FM													
Management Fees - PM													
Land Lease													
Utilities													
Taxes, Licences and Fees - RPT													
Taxes, Licences and Fees - Others													
Repairs and Maintenance													
Supplies and Materials													
Miscellaneous													
Total of Cost of Services -			27,736,091	29,805,864	30,554,766	31,739,640	32,990,884	34,292,939	35,647,934	37,058,092	38,525,729	40,053,264	41,683,431
<b>Other Operating Expenses</b>			972,001	1,017,288	1,026,848	1,073,005	1,122,981	1,175,328	1,230,158	1,287,592	1,347,756	1,410,780	1,468,199
<b>Capex Reserve</b>			3,424,603	3,545,280	3,555,160	3,724,394	3,909,214	4,103,225	4,306,886	4,520,678	4,745,105	4,980,697	5,223,257
Total -			32,132,695	34,368,432	35,136,773	36,537,040	38,023,079	39,571,492	41,184,979	42,866,363	44,618,590	46,444,741	48,374,887
<b>Total -</b>			<b>32,132,695</b>	<b>34,368,432</b>	<b>35,136,773</b>	<b>36,537,040</b>	<b>38,023,079</b>	<b>39,571,492</b>	<b>41,184,979</b>	<b>42,866,363</b>	<b>44,618,590</b>	<b>46,444,741</b>	<b>390,884,183</b>
<b>NET OPERATING INCOME</b>			<b>65,067,449</b>	<b>67,360,329</b>	<b>67,548,035</b>	<b>70,763,488</b>	<b>74,275,058</b>	<b>77,961,275</b>	<b>81,830,839</b>	<b>85,892,884</b>	<b>90,156,999</b>	<b>94,633,250</b>	<b>99,757,003</b>
<b>ADD: Reversion Value (Resale Value)</b>													2,049,595,580.74
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												-
<b>Net Reversion Value</b>													<b>2,049,595,581</b>
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.43718
<b>Present Worth of Net Income</b>			<b>62,294,744</b>	<b>59,110,832</b>	<b>54,331,394</b>	<b>52,170,213</b>	<b>50,191,667</b>	<b>48,288,399</b>	<b>46,457,531</b>	<b>44,696,298</b>	<b>43,002,041</b>	<b>41,372,201</b>	<b>501,915,320</b>
<b>Present Worth of Net Reversion Value</b>													<b>896,051,653</b>
<b>Total Present Value of Net Income</b>													<b>501,915,320</b>
<b>Present Worth of Net Reversion Value</b>													<b>896,051,653</b>
<b>Total</b>													<b>1,397,966,973</b>
On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of Php1,397,967,000.													
<b>Market Value of Property (Building and its facilities)</b>		PhP											<b>1,397,966,973</b>
<b>Rounded to</b>		PhP											<b>1,397,967,000</b>

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Two World Square

Located in  
**McKinley Hill, Barangay Pinagsama  
Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.®**  
**ASSET VALUATION SOLUTIONS**

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Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-003**  
Market Value Appraisal of Property

Madam :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Two World Square (building and its facilities)**, located along **McKinley Park Road, within McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FIVE BILLION FOUR HUNDRED FIFTY-ONE MILLION FIVE HUNDRED TWENTY-FOUR THOUSAND (Php5,451,524,000) PESOS**.

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

JLT:mfm

**CAI File No. 11-2024-1058-003**



**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-003**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is the **Two World Square (building and its facilities)**, located in **McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila**.

The site of Two World Square is a through lot located on the north side of Upper McKinley Road extending north to McKinley Park Road. It is approximately 60 meters northwest of Venice Grand Canal; 480 meters southwest from Tuscany Private Estate; 620 meters southwest from Korean International School; 880 kilometers southwest from Korean Embassy; and 960 meters southwest from Upper McKinley Road corner Carlos P. Garcia Avenue (C-5 Road).

Upper McKinley Road and McKinly Park Road are 30 and 6 meters wide, respectively. Both are concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**TWO WORLD SQUARE**





**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

The property is within Upper McKinley Hill, part of the larger McKinley Hill development in Taguig City, Metro Manila, Philippines, is a 50-hectare Italian-themed urban township developed by Megaworld Corporation. This integrated community seamlessly combines residential, office, commercial, retail, sports, recreation, and institutional components, creating a vibrant mini-city environment.

McKinley Hill boasts over 270,000 square meters of office space, accommodating numerous businesses and multinational companies. The township is known for its campus-type office buildings, many accredited as PEZA special economic zones for information technology, resembling those in Silicon Valley.

Strategically located at the junction of Lawton Avenue, McKinley Road, and C-5, McKinley Hill provides easy access to major thoroughfares, making it convenient for residents and professionals commuting to and from the area.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicle and pedestrian traffic loads. Major thoroughfares are concreted with widths ranging from 6 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Chinese International School
- Venice Grand Canal
- Venice Luxury Residences
- Philippine Army National Headquarters
- Enderun Colleges
- McKinley Stadium
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Taguig City and its neighboring towns/cities is available along Carlos P. Garcia Avenue (C-5 Road) which is approximately 1.30 kilometers from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **Two World Square**

This is a fifteen (15)-storey building having reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, acoustic board on T-runner ceilings; glass walls; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill, wood and steel louver doors; carpeted, ceramic tile, wood vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 26,632.68-square meters and 21,286.40-square meter, as allocated on the next page:



Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	511.73	409	Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Union Bank Of The Philippines
Second	1,563.95	1,250	Integrated Town Management Corporation, Megaworld Corporation
Third	1,889	1,509.80	Insurance Support Services International Corporation
Fourth	1,889	1,509.80	Megaworld Corporation
Fifth	1,889	1,509.80	Xceptional International Services And Safety Corporation
Sixth	1,889	1,509.80	Refinitiv Asia Pte. Ltd. - Philippine Branch
Seventh	1,889	1,509.80	Holcim Philippines, Inc.
Eight	1,889	1,509.80	Megaworld Corporation, AIC Phils LLC., Bill Gosling
Ninth	1,889	1,509.80	Megaworld Corporation
Tenth	1,889	1,509.80	Megaworld Corporation
Eleventh	1,889	1,509.80	Colgate Palmolive Philippines Inc.
Twelfth	1,889	1,509.80	Megaworld Corporation
Thirteenth	-	-	-
Fourteenth	1,889	1,509.80	Ingram Micro Philippines BPO Llc
Fifteenth	1,889	1,509.80	Anthem Solutions Inc.
Sixteenth	1,889	1,509.80	DDB Philippines, Inc.
<b>Total -</b>	<b>26,632.68</b>	<b>21,286.40</b>	

The building construction was completed sometime in 2008. As observed, the remaining economic life of this building is about 45 years.

## VII. HIGHEST AND BEST USE

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

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

---

**VIII. VALUATION****By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

**Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the assumptions/estimates shown on the next page:



1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 21,286.40-square meter;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate			=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit			=	<u>3.493%</u>	
Average			=	4.633%	
Less: 20% withholding tax			=	<u>0.927%</u>	
			=	3.707%	
Plus: Recapture rate of the building	=	1/REL of the Bldg.			
	=	1/40 yrs x 100	=	2.50%	
		<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate			=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
		<b>Discount Rate</b>	=	<b>9.107%</b>	
		<b>Say</b>	=	<u><b>9.10%</b></u>	
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4.28% based on the average escalation rate
7. Capitalization rate adopted to arrive at the terminal value is 4.82% (discount rate less growth rate of the gross revenue);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention this property on the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP)														
TWO WORLD SQUARE														
STATISTICS														
Land Area	-	sq.m.												
Gross Floor Area	26,632.68	sq.m.												
Gross Leasable Area	21,286.40	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	4.82%													
Discount Rate	9.10%													
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.41855
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
		Year	1	2	3	4	5	6	7	8	9	10	Totals	11
GROSS REVENUES		Escalation		4.27%	4.27%	2.76%	5.53%	4.55%	3.79%	4.05%	4.62%	4.63%		4.63%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues												
Effective Gross Revenues			354,366,973	369,482,096	385,264,396	395,912,408	417,807,413	436,834,473	453,391,028	471,755,716	493,574,099	516,421,472	4,294,810,073	540,326,441
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -			77,902,363	84,320,547	87,593,864	90,339,154	94,409,327	98,211,283	101,791,888	105,636,652	109,933,618	114,410,963		119,070,659
Other Operating Expenses			3,543,670	3,694,821	3,852,644	3,959,124	4,178,074	4,368,345	4,533,910	4,717,557	4,935,741	5,164,215		5,403,264
Capex Reserve			13,646,047	14,073,336	14,690,894	15,080,707	15,961,001	16,712,742	17,353,261	18,070,075	18,935,237	19,842,315		20,604,710
Total -			95,092,080	102,088,704	106,137,403	109,378,985	114,548,401	119,292,370	123,679,060	128,424,285	133,804,596	139,417,492		145,078,633
NET OPERATING INCOME			259,274,893	267,393,391	279,126,993	286,533,424	303,259,012	317,542,103	329,711,968	343,331,432	359,769,503	377,003,980	3,122,946,698	395,247,808
ADD: Reversion Value (Resale Value)														8,192,513,452.15
LESS: Marketing Cost	0.0%	of Resale Value												-
Net Reversion Value														8,192,513,452
Present Worth Factor @	9.1%	discount rate	0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.41855
Present Worth of Net Income			248,226,468	234,646,210	224,512,208	211,246,081	204,928,489	196,682,260	187,186,202	178,660,249	171,598,689	164,820,339	2,022,507,196	
Present Worth of Net Reversion Value														3,429,017,151
Total Present Value of Net Income														2,022,507,196
Present Worth of Net Reversion Value														3,429,017,151
Total														5,451,524,346
Market Value of Property (Building and its facilities)		PhP												5,451,524,346
Rounded to		PhP												5,451,524,000

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php5,451,524,000**.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Three Techno Place

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
ASSET VALUATION SOLUTIONS

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31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-010**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Three Techno Place (building and its facilities)**, bounded by **Megaworld Boulevard, Daytona Avenue, and Festive Walk Boulevard, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City.**

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION THREE HUNDRED FIFTY-FOUR MILLION FOUR HUNDRED SEVENTY-ONE THOUSAND (Php1,354,471,000) PESOS.**


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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**CARMELA M. TORBELA**  
**Department Manager - Real Estate**  
Real Estate Appraiser  
PRC Registration Number: 0004270  
Valid Until: 10/04/2025  
IPREA Membership No. 1001  
PTR No. 2613561  
16 January 2024  
City of Bacoar

MPR/CMT:rca:moa

**CAI File No. 11-2024-1058-010**



**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-010**

---

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay Santa Rosa, Mandadurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Leo Sompreque (client's representative), the appraised property is the **Three Techno Place (building and its facilities)**, bounded **on the northwest side by Megaworld Boulevard, southwest side by Daytona Avenue, and southeast side by Festive Walk Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao, Iloilo City.**

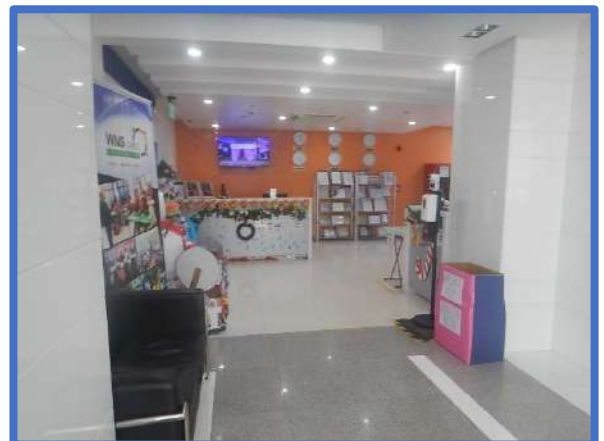
The property is located across Courtyard by Marriott Hotel; approximately 130 meters from the intersection of Megaworld Boulevard and Enterprise Road; 290 meters south from Festive Walk Mall; 565 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.50 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.55 kilometers northwest from SM City Iloilo.

Megaworld Boulevard, Daytona Avenue, and Festive Walk are 30, 20, and 20 meters wide, correspondingly. All are concreted and provided with concrete curbs and gutters, concrete sidewalks and underground drainage. Megaworld Boulevard is provided with a center island

**THREE TECHNO PLACE**



**ROOFDECK AND LOBBY AREA**



**TYPICAL VIEW OF THE COMMERCIAL SPACE**





**VIEW OF THE PROPERTY TAKEN ALONG DAYTONA AVENUE**



**VICINITY MAP**

### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- Two Global Center
- One Techno Place
- Two Techno Place
- Richmonde Hotel and Tower
- Countryard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **Three Techno Place**

This is a twin tower four (4)-storey reinforced concrete frame office building, having a reinforced concrete slab roof covered with waterproofing membrane roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors. Both towers are provided with cistern tanks each having a volume capacity of 249 cubic meters.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, four (4) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 11,753 square meters and 9,568 square meters, respectively, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	1,034	842	Retail units, lobby area, utilities rooms, administration office and comfort rooms
Second	3,551	-	Parking area and utility room
Third	3,584	2,891	WNS Global Services, two (2) comfort rooms and utility rooms
Fourth	3,584	2,918	Xtendops Philippines, Inc. and comfort rooms and utility rooms
<b>Total -</b>	<b>11,753</b>	<b>9,568</b>	

The building construction was completed sometime in 2017. As observed, the estimated remaining economic life of this building is about 43 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

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



The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject.

After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 9,568-square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;



4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate			=	5.774%	auction date: 09 December 2024
Below one year time deposit			=	<u>3.493%</u>	Peso Deposit December 19-25, 2024 BSP
Average			=	4.633%	
Less: 20% withholding tax			=	0.927%	
			=	3.707%	
Plus: Recapture rate of the building	=	1/REL of the Bldg.			
	=	1/40 yrs x 100	=	2.50%	
		Cap Rate	=	6.207%	
Plus: Inflation Rate			=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
		Discount Rate	=	9.107%	
		Say	=	9.10%	
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year

Discounted Cash Flow Analysis (in PhP) THREE TECHNO PLACE														
STATISTICS														
Land Area														
Gross Floor Area (GFA)	11,753	(sq.m.)												
Gross Leasable Area (GLA)	9,568	(sq.m.)												
Vacancy Rate (incl. bad debts)	-	(ave)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%	years												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072	
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
		Year	1	2	3	4	5	6	7	8	9	10	Total	11
GROSS REVENUES		Escalation		4.19%	6.45%	4.08%	4.59%	4.60%	4.60%	4.61%	4.61%	4.62%		4.62%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -		-												
Total Annual Revenues			96,364,139	100,397,492	106,875,923	111,237,445	116,348,011	121,698,309	127,299,774	133,164,392	139,304,727	145,733,953		151,732,363
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues	96,364,139	100,397,492	106,875,923	111,237,445	116,348,011	121,698,309	127,299,774	133,164,392	139,304,727	145,733,953		151,732,363
Effective Gross Revenues			96,364,139	100,397,492	106,875,923	111,237,445	116,348,011	121,698,309	127,299,774	133,164,392	139,304,727	145,733,953	1,198,424,165	151,732,363
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -			25,965,214	27,844,274	29,153,814	30,244,355	31,440,457	32,685,301	33,980,935	35,329,499	36,733,224	38,194,439		39,714,578
Other Operating Expenses		of gross revenues	963,641	1,003,975	1,068,759	1,112,374	1,163,480	1,216,983	1,272,998	1,331,644	1,393,047	1,457,340		1,524,669
Capex Reserve			3,471,764	3,577,462	3,832,668	3,994,036	4,187,204	4,389,801	4,602,292	4,825,162	5,058,923	5,304,109		5,561,358
Total -			30,400,620	32,425,711	34,055,241	35,350,765	36,791,141	38,292,085	39,856,225	41,486,305	43,185,194	44,955,888		46,800,605
To tal			30,400,620	32,425,711	34,055,241	35,350,765	36,791,141	38,292,085	39,856,225	41,486,305	43,185,194	44,955,888	376,799,175	46,800,605
NET OPERATING INCOME			65,963,519	67,971,781	72,820,683	75,886,679	79,556,870	83,406,224	87,443,549	91,678,086	96,119,533	100,778,066	821,624,990	104,931,758
ADD: Reversion Value (Resale Value)														2,057,485,455
LESS: Marketing Cost		0.00% of Resale Value												-
Net Reversion Value														2,057,485,455
Present Worth Factor @ 9.10% discount rate			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-	0.40072
Present Worth of Net Income			63,152,630	59,647,401	58,572,380	55,947,273	53,760,872	51,660,343	49,644,015	47,706,759	45,845,981	44,058,620	529,996,874	
Present Worth of Net Reversion Value														824,473,863
Total Present Value of Net Income														529,996,874
Present Worth of Net Reversion Value														824,473,863
To tal														1,354,470,737
Market Value of the Building		Ph P												1,354,471,000
Rounded to		Ph P												1,354,471,000

On the basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Ph p 1,354,471,000**.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Three World Square

Located in  
**McKinley Hill, Barangay Pinagsama  
Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.<sup>®</sup>**  
**ASSET VALUATION SOLUTIONS**

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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-004**  
Market Value Appraisal of Property

Madam :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Three World Square (building and its facilities)**, located along **McKinley Hill Road within McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FOUR BILLION FOUR HUNDRED FORTY-SEVEN MILLION NINE HUNDRED FORTY-THREE THOUSAND (Php4,447,943,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

JLT:mfm

**CAI File No. 11-2024-1058-004**



**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-004**

---

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within McKinley Hill, Barangay Pinagsama, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **Three World Square (building and its facilities), within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila**.

The site of Three World Square is a thru lot bounded by McKinley Park Road on the north, and McKinley Hill Road to the south. It is approximately 40 meters northwest of Venice Grand Canal; 460 meters southwest from Tuscany Private Estate; 600 meters southwest from Korean International School; 860 kilometers southwest from Korean Embassy; and 940 meters southwest from Upper McKinley Road corner Carlos P. Garcia Avenue (C-5 Road).

Upper McKinley Road is 30 meters wide, while McKinley Park Road is 6 meters. All are concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

THREE WORLD SQUARE





**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

Three World Square is within Upper McKinley Hill, part of the larger McKinley Hill development in Taguig City, Metro Manila, Philippines, is a 50-hectare Italian-themed urban township developed by Megaworld Corporation. This integrated community seamlessly combines residential, office, commercial, retail, sports, recreation, and institutional components, creating a vibrant mini-city environment.

McKinley Hill boasts over 270,000 square meters of office space, accommodating numerous businesses and multinational companies. The township is known for its campus-type office buildings, many accredited as PEZA special economic zones for information technology, resembling those in Silicon Valley.

Strategically located at the junction of Lawton Avenue, McKinley Road, and C-5, McKinley Hill provides easy access to major thoroughfares, making it convenient for residents and professionals commuting to and from the area.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicle and pedestrian traffic loads. Major thoroughfares are concreted with widths ranging from 6 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Chinese International School
- Venice Grand Canal
- Venice Luxury Residences
- Philippine Army National Headquarters
- Enderun Colleges
- McKinley Stadium
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Taguig City and its neighboring towns/cities is available along Carlos P. Garcia Avenue (C-5 Road) which is approximately 940 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **Three World Square**

This is a sixteen (16)-storey building having reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, acoustic board on T-runner ceilings; glass walls; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill, wood and steel louver doors; carpeted, ceramic tile, wood vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped with VRF type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 26,628.50-square meters and 21,221.66-square meter, as allocated on the next page:



Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	429	347	WS And Landin, Inc., Bos Coffee, Daily By Bos Coffee, Banco De Oro Unibank, Inc., Pan De Manila Food Co., Inc., Pan De Manila
Second	1,567	1,248.16	Micro Focus Software, Inc., Remarkable Food Company Inc., Dells Cafeteria
Third	1,895	1,509.80	Welsend Global Services Inc.
Fourth	1,895	1,509.80	Ingram Micro Philippines Bpo Llc
Fifth	1,895	1,509.80	Telrcom Solutions, Inc. (Formerly Dripdes Asia, Inc)
Sixth	1,895	1,509.80	Refinitiv Asia Pte. Ltd. - Philippine Branch
Seventh	1,894.91	1,509.80	Refinitiv Asia Pte. Ltd. - Philippine Branch
Eight	1,894.91	1,509.80	Megaworld Corporation
Ninth	1,894.91	1,509.80	Megaworld Corporation
Tenth	1,894.91	1,509.80	Ingram Micro Philippines Bpo Llc
Eleventh	1,894.91	1,509.80	Colgate Palmolive Philippines Inc.
Twelfth	1,894.91	1,509.80	Ingram Micro Philippines Bpo Llc
Thirteenth	-	-	
Fourteenth	1,894.91	1,509.80	Ingram Micro Philippines Bpo Llc
Fifteenth	1,894.91	1,509.80	AIC/Bill Gosling
Sixteenth	<u>1,893.91</u>	<u>1,509</u>	AIC/ Bill Gosling
<b>Total -</b>	<b>26,628.50</b>	<b>21,221.66</b>	

The building construction was completed sometime in 2008. As observed, the remaining economic life of this building is about 45 years.

## VII. HIGHEST AND BEST USE

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

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

---

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates on the next page:



1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 21,221.66-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10% using built-up method, the computation is shown below;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP	
Below one year time deposit		=	3.493%		
Average		=	4.633%		
Less: 20% withholding tax		=	0.927%		
		=	3.707%		
Plus: Recapture rate of the building	= 1/REL of the Bldg.				
	= 1/40 yrs x 100	=	2.50%		
	<b>Cap Rate</b>	=	<b>6.207%</b>		
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)	
	<b>Discount Rate</b>	=	<b>9.107%</b>		
	<b>Say</b>	=	<b>9.10%</b>		
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 3.9 % based on the average escalation rate;
7. Capitalization rate adopted to arrive at the terminal value is 5.20% (discount rate less growth rate of the gross revenue)
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention to sale this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP)														
THREE WORLD SQUARE														
STATISTICS														
Land Area		-	sq.m.											
Gross Floor Area		26,628.50	sq.m.											
Gross Leasable Area		21,221.66	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		5.20%												
Discount Rate		9.10%		This should be mid year										
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES			Escalation		3.79%	2.92%	0.90%	6.76%	4.14%	4.01%	4.09%	4.25%	4.26%	4.26%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)			of gross revenues											
				317,916,608	329,981,023	339,603,741	342,666,383	365,816,288	380,948,225	396,219,660	412,421,882	429,950,413	448,283,592	467,398,502
Effective Gross Revenues				317,916,608	329,981,023	339,603,741	342,666,383	365,816,288	380,948,225	396,219,660	412,421,882	429,950,413	448,283,592	3,763,807,816
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -				73,511,798	78,913,403	81,457,664	83,311,628	87,488,228	90,813,422	94,210,914	97,772,098	101,543,717	105,468,942	109,545,899
Other Operating Expenses				3,179,166	3,299,810	3,396,037	3,426,664	3,658,163	3,809,482	3,962,197	4,124,219	4,299,504	4,482,836	4,673,985
Capex Reserve				12,061,282	12,388,391	12,737,502	12,796,405	13,733,495	14,316,266	14,902,328	15,526,278	16,205,360	16,916,591	17,659,037
Total -				88,752,247	94,601,603	97,591,203	99,534,696	104,879,886	108,939,170	113,075,438	117,422,595	122,048,580	126,868,369	131,878,921
Total -				88,752,247	94,601,603	97,591,203	99,534,696	104,879,886	108,939,170	113,075,438	117,422,595	122,048,580	126,868,369	1,073,713,788
NET OPERATING INCOME				229,164,362	235,379,420	242,012,538	243,131,687	260,936,402	272,009,054	283,144,223	294,999,287	307,901,832	321,415,223	2,690,094,028
ADD: Reversion Value (Resale Value)														6,454,681,763.57
LESS: Marketing Cost			0.0% of Resale Value											-
Net Reversion Value														6,454,681,764
Present Worth Factor @			9.1% discount rate	0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
Present Worth of Net Income				219,399,031	206,552,931	194,659,673	179,248,255	176,328,816	168,479,565	160,748,462	153,509,528	146,859,449	140,517,790	1,746,303,500
Present Worth of Net Reversion Value														2,701,639,075
Total Present Value of Net Income														1,746,303,500
Present Worth of Net Reversion Value														2,701,639,075
Total														4,447,942,575
Market Value of Property (Building and its facilities)			PhP	4,447,942,575										
Rounded to			PhP	4,447,943,000										

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,447,943,000.**

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Five West Campus

Located in  
**Mc Kinley West, Fort Bonifacio  
Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
ASSET VALUATION SOLUTIONS

Manila  
(632) 8631-1645

Cebu  
(632) 8233-150  
[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Subject : **CAI File No. 11-2024-1058-015**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Five West Campus (building and its facilities)**, located at **No. 15 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.



Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION NINE HUNDRED FIFTY-NINE MILLION FIVE HUNDRED SEVENTY-TWO THOUSAND (Php1,959,572,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**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. 11-2024-1058-015**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located in Fort Bonifacio, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is the **Five West Campus (building and its facilities)** located at **No. 15 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The site is located on the northwest side of Le Grand Avenue approximately 150 meters southwest of McWest Boulevard; 280 meters northwest of Lawton Boulevard; 1.0 kilometer southwest from the corner of Lawton Avenue and Old Lawton Avenue; 1.30 kilometers southwest of Mc Kinley Parkway; and about 3.40 kilometers southeast of EDSA and Ayala Avenue (One Ayala).

Le Grand Avenue is 20 meters wide, concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

FIVE WEST CAMPUS







**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

McKinley West is Megaworld's 34.5-hectare ultra-high-end township on the former JUSMAG property in Fort Bonifacio beside Forbes Park and Manila Polo Club.

Aside from an exclusive residential village where lots have appreciated as much as 110 percent since its launch in 2010, McKinley West have rows of luxury residential estates, which include properties having their own state-of-the-art security features and first-of-its-kind luxury amenities.

The posh residential enclave is supplemented by a modern business district, living up to the lifestyle of the neighboring Forbes Park. Residents and people working in McKinley West enjoy direct access to McKinley Hill, as well as more convenient access to Fort Bonifacio, South Luzon Expressway, C5 Road, the Ninoy Aquino International Airport (NAIA), and the Makati CBD.

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

Some of the important improvements in the vicinity are:

- The Albany Luxury Residences
- McKinley Village
- Upper McKinley Hill
- Dasmariñas Village
- Forbes Park
- Bonifacio Global City
- Manila Polo Club
- Manila Golf and Country Club
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City and its neighboring towns/cities is available along Epifanio delos Santos Avenue which is approximately 3.40 kilometers from EDSA. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **Five West Campus Building**

This is a five (5)-storey reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, gypsum board and steel spandrel ceilings; cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill and insulated steel doors; slab ceramic tile, vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 12,884.02-square meters and 10,256.96-square meter, allocated on the next page:



Floor Level	Gross Floor Area	Gross Leasable Area
	(sq.m.)	(sq.m.)
G/F	1,988.60	279.12
Parking	-	-
2/F	2,723.85	2,494.46
3/F	2,723.85	2,494.46
4/F	2,723.85	2,494.46
5/F	2,723.85	2,494.46
<b>Total -</b>	<b>12,884.02</b>	<b>10,256.96</b>

The building construction was completed sometime in 2016. As observed, the remaining economic life of this building is about 41 years.

The whole leasable area of this building is occupied by Teleperformance.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases. Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 10,256.96-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	<u>3.493%</u>	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	<u>0.927%</u>	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	<u>2.50%</u>	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b><u>9.10%</u></b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4.62 % based on the average escalation rate;
7. Capitalization rate adopted to arrive at the terminal value is 4.48% (discount rate less growth rate of the gross revenue);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention to sell this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP)														
FIVE WEST CAMPUS														
STATISTICS														
Land Area		-	sq.m.											
Gross Floor Area		12,884.02	sq.m.											
Gross Leasable Area		10,256.96	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		4.48%												
Discount Rate		9.10%												
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES			Escalation		3.97%	4.56%	4.71%	4.71%	4.72%	4.72%	4.72%	4.73%	4.73%	5.00%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)			of gross revenues											
Effective Gross Revenues				116,881,106	121,519,895	127,063,384	133,046,738	139,316,315	145,885,975	152,770,253	159,984,393	167,544,388	175,467,009	184,240,360
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -				24,725,317	26,867,012	27,953,161	29,105,104	30,306,046	31,558,133	32,863,612	34,224,830	35,644,240	37,124,406	38,635,370
Other Operating Expenses				1,168,811	1,215,199	1,270,634	1,330,467	1,393,163	1,458,860	1,527,703	1,599,844	1,675,444	1,754,670	1,826,085
Capex Reserve				4,549,349	4,671,884	4,891,979	5,130,558	5,380,855	5,643,449	5,918,947	6,207,986	6,511,235	6,829,397	7,161,988
Total -				30,443,477	32,754,095	34,115,774	35,566,130	37,080,064	38,660,442	40,310,261	42,032,660	43,830,919	45,708,473	47,623,443
Total -				30,443,477	32,754,095	34,115,774	35,566,130	37,080,064	38,660,442	40,310,261	42,032,660	43,830,919	45,708,473	47,623,443
NET OPERATING INCOME				86,437,630	88,765,800	92,947,610	97,480,607	102,236,251	107,225,534	112,459,992	117,951,734	123,713,469	129,758,536	136,616,917
ADD: Reversion Value (Resale Value)														3,048,184,374.78
LESS: Marketing Cost			0.0% of Resale Value											-
Net Reversion Value														3,048,184,375
Present Worth Factor @			9.1% discount rate	0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
Present Worth of Net Income				82,754,282	77,894,814	74,761,215	71,867,345	69,086,555	66,414,375	63,846,511	61,378,843	59,007,417	56,728,436	683,739,792
Present Worth of Net Reversion Value														1,275,832,693
Total Present Value of Net Income														683,739,792
Present Worth of Net Reversion Value														1,275,832,693
Total														1,959,572,485
Market Value of Property (Building and its facilities)			PhP	1,959,572,485										
Rounded to			PhP	1,959,572,000										

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php1,959,572,000.**



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

8/10 Upper McKinley Building

Located in  
**Upper McKinley, Barangay Pinagsama  
Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
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31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-005**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **8/10 Upper McKinley Building (building and its facilities)**, it is bounded by **Upper McKinley Hill Road, Florence Way and McKinley Park Road, within Upper McKinley West, Barangay Pinagsama, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FOUR BILLION TWO HUNDRED FORTY-NINE MILLION FOUR HUNDRED FORTY-FIVE THOUSAND (Php4,249,445,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3724602

16 January 2024

Dasmariñas City

JVP :mfm

**CAI File No. 11-2024-1058-005**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-005**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Barangay Pinagsama, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **8/10 Upper McKinley Building (building and its facilities)**, it is bounded by **Upper McKinley Hill Road, Florence Way and McKinley Park Road, within Upper McKinley West, Barangay Pinagsama, Taguig City, Metropolitan Manila**.

The site is located on the north side of Upper McKinley Hill Road, on the west side of Florence Way and on the south side of McKinley Park Road, approximately 270 meters southeast from the intersection of Lawton Avenue and Upper McKinley Hill Road; 950 meters east from the corner of Lawton Avenue and Bayani Road; and about 1.1-kilometer southwest from the corner of Carlos P. Garcia Avenue (C-5) and Upper McKinley Hill Road.

Upper McKinley Road is 30 meters wide; while Florence Way and McKinley Park Road are both 6 meters. All are concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

# 8/10 UPPER MCKINLEY BUILDING



Vicinity Map



### **III. NEIGHBORHOOD DATA**

Upper McKinley Hill, part of the larger McKinley Hill development in Taguig City, Metro Manila, Philippines, is a 50-hectare Italian-themed urban township developed by Megaworld Corporation. This integrated community seamlessly combines residential, office, commercial, retail, sports, recreation, and institutional components, creating a vibrant mini-city environment.

McKinley Hill boasts over 270,000 square meters of office space, accommodating numerous businesses and multinational companies. The township is known for its campus-type office buildings, many accredited as PEZA special economic zones for information technology, resembling those in Silicon Valley.

Strategically located at the junction of Lawton Avenue, McKinley Road, and C-5, McKinley Hill provides easy access to major thoroughfares, making it convenient for residents and professionals commuting to and from the area.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicle and pedestrian traffic loads. Major thoroughfares are concreted with widths ranging from 6 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Chinese International School
- Venice Grand Canal
- Venice Luxury Residences
- Philippine Army National Headquarters
- Enderun Colleges
- McKinley Stadium
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Taguig City and its neighboring towns/cities is available along Lawton Avenue which is approximately 270 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

## V. LAND DATA

No copy of the title or any land ownership document was given to us.

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

## VI. DESCRIPTION OF THE BUILDING

### 8/10 Upper McKinley Building

This is a ten (10)-storey building having reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, acoustic board on T-runner ceilings; cement plastered concrete hollow block walls and partitions; fixed and glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill, wood and steel louver doors; carpeted, ceramic tile, wood vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 25,249.40-square meters and 19,937.50-square meter, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	1,886.36	1,489.50	Pan de Manila, Army Navy, Café Amazon, Philippine National Bank, Unicity Network Philippines, Inc.
Parking	-	-	
Second	-	-	
Third	2,920.38	2,306.00	London Stock Exchange Group
Fourth	2,920.38	2,306.00	TSD Global
Fifth	2,920.38	2,306.00	TSD Global
Sixth	2,920.38	2,306.00	Movate
Seventh	2,920.38	2,306.00	Google
Eight	2,920.38	2,306.00	Google
Ninth	2,920.38	2,306.00	Google
Tenth	2,920.38	2,306.00	London Stock Exchange Group
<b>Total -</b>	<b>25,249.40</b>	<b>19,937.50</b>	

The building construction was completed sometime in 2009. As observed, the remaining economic life of this building is about 35 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 19,937.50 square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit		=	<u>3.493%</u>	
Average		=	4.633%	
Less: 20% withholding tax		=	<u>0.927%</u>	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	<u>2.50%</u>	
	Cap Rate	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	Discount Rate	=	<b>9.107%</b>	
	Say	=	<b><u>9.10%</u></b>	
Note: REL - Remaining Economic Life The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention sale this property on the end of 10<sup>th</sup> year.

8/10 UPPER MCKINLEY BUILDING														
<b>STATISTICS</b>														
Land Area	-	sq.m.												
Gross Floor Area	25,249.40	sq.m.												
Gross Leasable Area	19,937.50	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	5.1%													
Discount Rate	9.1%													
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
<b>GROSS REVENUES</b>	<b>Escalation</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
				5%	3%	4%	4%	4%	4%	4%	4%	4%		4%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	of gross revenues		286,837,717	300,838,412	310,138,321	322,512,088	334,991,862	349,292,925	364,279,032	379,983,385	396,440,810	413,687,836		430,235,349
<b>Effective Gross Revenues</b>			<b>286,837,717</b>	<b>300,838,412</b>	<b>310,138,321</b>	<b>322,512,088</b>	<b>334,991,862</b>	<b>349,292,925</b>	<b>364,279,032</b>	<b>379,983,385</b>	<b>396,440,810</b>	<b>413,687,836</b>	<b>3,459,002,388</b>	<b>430,235,349</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -			53,942,231	59,344,376	61,282,503	63,599,030	65,959,675	68,559,391	71,270,946	74,099,297	77,049,628	80,127,355		83,388,538
<b>Other Operating Expenses</b>			2,868,377	3,008,384	3,101,383	3,225,121	3,349,919	3,492,929	3,642,790	3,799,834	3,964,408	4,136,878		4,305,249
<b>Capex Reserve</b>			11,501,355	11,924,283	12,287,722	12,784,397	13,284,113	13,862,030	14,468,265	15,104,213	15,771,339	16,471,180		17,273,327
Total -			68,311,963	74,277,043	76,671,608	79,608,547	82,593,707	85,914,350	89,382,001	93,003,344	96,785,374	100,735,413		104,967,114
<b>Total -</b>			<b>68,311,963</b>	<b>74,277,043</b>	<b>76,671,608</b>	<b>79,608,547</b>	<b>82,593,707</b>	<b>85,914,350</b>	<b>89,382,001</b>	<b>93,003,344</b>	<b>96,785,374</b>	<b>100,735,413</b>	<b>847,283,352</b>	<b>104,967,114</b>
<b>NET OPERATING INCOME</b>			<b>218,525,753</b>	<b>226,561,369</b>	<b>233,466,712</b>	<b>242,903,541</b>	<b>252,398,155</b>	<b>263,378,575</b>	<b>274,897,031</b>	<b>286,980,041</b>	<b>299,655,436</b>	<b>312,952,422</b>	<b>2,611,719,036</b>	<b>325,268,235</b>
<b>ADD: Reversion Value (Resale Value)</b>														6,377,808,525.92
<b>LESS: Marketing Cost</b>	0.0% of Resale Value													-
<b>Net Reversion Value</b>														<b>6,377,808,526</b>
Present Worth Factor @	9.1% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
<b>Present Worth of Net Income</b>			<b>209,213,763</b>	<b>198,814,811</b>	<b>187,785,948</b>	<b>179,080,055</b>	<b>170,559,062</b>	<b>163,133,936</b>	<b>156,066,313</b>	<b>149,336,533</b>	<b>142,926,178</b>	<b>136,817,984</b>	<b>1,693,734,582</b>	
<b>Present Worth of Net Reversion Value</b>														<b>2,555,710,137</b>
<b>Total Present Value of Net Income</b>														<b>1,693,734,582</b>
<b>Present Worth of Net Reversion Value</b>														<b>2,555,710,137</b>
<b>Total</b>														<b>4,249,444,719</b>
<b>Market Value of Property (Building and its facilities)</b>			PhP	<b>4,249,444,719</b>										
<b>Rounded to</b>			PhP	<b>4,249,445,000</b>										

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,249,445,000.**



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

**Ten West Campus**

Located in  
**Mc Kinley West, Fort Bonifacio**  
**Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
**ASSET VALUATION SOLUTIONS**

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(082) 8295-267

Iloilo  
(033) 8339-0667



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Subject : **CAI File No. 11-2024-1058-018**  
Market Value Appraisal of Property

Madam :

As requested, we appraised a certain real property exhibited to us by **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Ten West Campus (building and its facilities,)** located at **No. 20 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FIVE BILLION THREE HUNDRED SIXTY-SEVEN MILLION TWO HUNDRED TWO THOUSAND (Php5,367,202,000) PESOS**.

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**CAI File No. 11-2024-1058-018**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-018**

---

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Fort Bonifacio, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

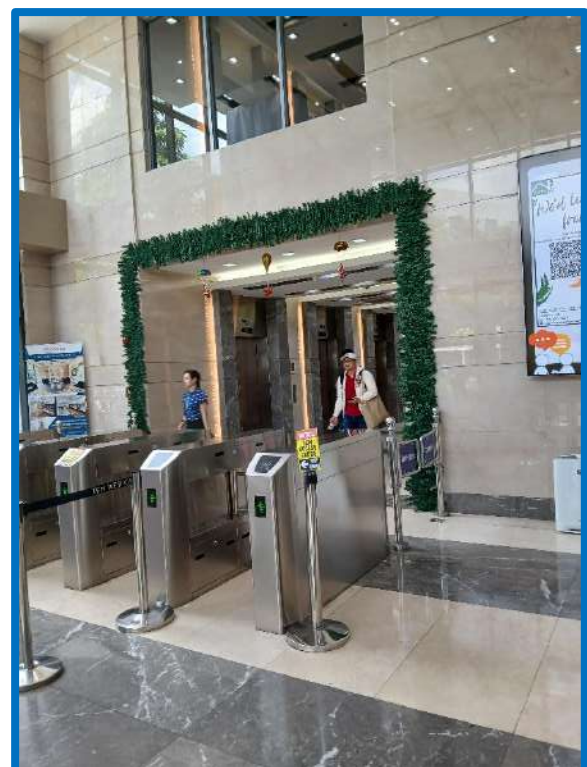
Based on the documents provided to us by the client, the appraised property is the **Ten West Campus (building and its facilities)**, located at **No. 20 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The site is located on the south side of Le Grand Avenue approximately 150 meters southwest of McWest Boulevard; 280 meters northwest of Lawton Boulevard; 1.0 kilometer southwest from the corner of Lawton Avenue and Old Lawton Avenue; 1.40 kilometers southwest of McKinley Parkway; and about 3.30 kilometers southeast of EDSA and Ayala Avenue (One Ayala).

Le Grand Avenue is 20 meters wide, concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.



**TEN WEST CAMPUS**





**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

McKinley West is Megaworld's 34.5-hectare ultra-high-end township on the former JUSMAG property in Fort Bonifacio beside Forbes Park and Manila Polo Club.

Aside from an exclusive residential village where lots have appreciated as much as 110 percent since its launch in 2010, McKinley West has rows of luxury residential estates, which include properties having their own state-of-the-art security features and first-of-its-kind luxury amenities.

The posh residential enclave is supplemented by a modern business district, living up to the lifestyle of the neighboring Forbes Park. Residents and people working in McKinley West enjoy direct access to McKinley Hill, as well as more convenient access to Fort Bonifacio, South Luzon Expressway, C5 Road, the Ninoy Aquino International Airport (NAIA), and the Makati CBD.

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

Some of the important improvements in the vicinity are:

- The Albany Luxury Residences
- McKinley Village
- Upper McKinley Hill
- Dasmariñas Village
- Forbes Park
- Bonifacio Global City
- Manila Polo Club
- Manila Golf and Country Club
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area.



These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City and its neighboring towns/cities is available along Epifanio delos Santos Avenue which is approximately 3.40 kilometers from EDSA. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **Ten West Campus Building**

This is a seventeen (17)-storey reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, gypsum board, gypsum board molding and steel spandrel ceilings; glass curtain, aluminum composite panel, cement plastered concrete hollow block walls and partitions; fixed and sliding glass panel on aluminum frame windows; full glass on aluminum frame, glass on anodized aluminum frame, laminated wood panel, steel roll-up, steel grill and insulated steel doors; slab ceramic tile, vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area of 42,920.55-square meter and gross leasable area of 36,277.03-square meters, allocated on the next page:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	2,653.63	1,607.39	Megaworld Global Estate, Metrobank and HEX Coffee
Parking	-	-	
2/F	-	-	
3/F	2,691.76	2,477.89	Cimpress Philippines, Inc.
4/F	2,691.76	2,477.89	-
5/F	2,691.76	2,477.89	-
6/F	2,691.76	2,477.89	IGT Technologies Phil. Inc.
7/F	2,691.76	2,477.89	Principal Global Services
8/F	2,691.76	2,477.89	ALLSECTECH Manila, Inc.
9/F	2,691.76	2,477.89	Trip.Com Philippines
10/F	2,691.76	2,477.89	Trip.Com Philippines
11/F	2,691.76	2,477.89	E-Data Services Phil. Inc. and Robert Bosch, Inc.
12/F	2,691.76	2,477.89	GAPGEMINI Philippines Corp.
13/F	-	-	
14/F	2,691.76	2,477.89	JTI GBS Philippines Inc.
15/F	2,691.76	2,477.89	Principal Global Services
16/F	2,691.76	2,477.89	Principal Global Services
17/F	2,670.94	2,457.07	JTI GBS Philippines Inc.
18/F	-	-	
RD	2,603.10		
<b>Total -</b>	<b>42,920.55</b>	<b>36,277.03</b>	

The building construction was completed sometime in 2017. As observed, the remaining economic life of this building is about 43 years.

#### **VII. HIGHEST AND BEST USE**

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

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

---

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 36,277.03-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [iFVt / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP	
Below one year time deposit		=	3.493%		
Average		=	4.633%		
Less: 20% withholding tax		=	0.927%		
		=	3.707%		
Plus: Recapture rate of the building	= 1/REL of the Bldg.				
	= 1/40 yrs x 100	=	2.50%		
	<b>Cap Rate</b>	=	<b>6.207%</b>		
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)	
	<b>Discount Rate</b>	=	<b>9.107%</b>		
	<b>Say</b>	=	<b>9.10%</b>		
Note: REL - Remaining Economic Life The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4.91 % based on the average escalation rate.
7. Marketing Cost is pegged at 0% of resale value, MREIT has no intention to sell this property at the end of 10<sup>th</sup> year.



Discounted Cash Flow Analysis (in PhP)													
TEN WEST CAMPUS													
<b>STATISTICS</b>													
Land Area	-	sq.m.											
Gross Floor Area	42,920.55	sq.m.											
Gross Leasable Area	36,277.03	sq.m.											
Vacancy Rate (incl. bad debts)	-	(ave.)											
Terminal Capitalization Rate	4.19%												
Discount Rate	9.10%												
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>	Escalation		8.46%	4.16%	4.02%	4.33%	4.21%	4.75%	4.75%	4.76%	4.76%		5.00%
Rental Income													
Rental Income - PAS Adjustment													
Rental Income - deferred credits amortization													
Rental Income - penalties													
Income from dues - net													
Total Annual Gross Rental													
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
Vacancy Rate (incl. bad debts)	of gross revenues												
			309,379,731	335,541,188	349,513,246	363,559,747	379,303,181	395,272,650	414,047,933	433,727,388	454,355,014	475,976,964	499,775,812
<b>Effective Gross Revenues</b>			<b>309,379,731</b>	<b>335,541,188</b>	<b>349,513,246</b>	<b>363,559,747</b>	<b>379,303,181</b>	<b>395,272,650</b>	<b>414,047,933</b>	<b>433,727,388</b>	<b>454,355,014</b>	<b>475,976,964</b>	<b>3,910,677,042</b>
<b>LESS EXPENSES:</b>													
<b>Cost of Services</b>													
Outside Services													
Management Fees - FM													
Management Fees - PM													
Land Lease													
Utilities													
Taxes, Licences and Fees - RPT													
Taxes, Licences and Fees - Others													
Repairs and Maintenance													
Supplies and Materials													
Miscellaneous													
Total of Cost of Services -			75,552,480	83,214,324	86,378,602	89,606,783	93,084,150	96,646,501	100,587,432	104,694,211	108,974,038	113,434,436	118,051,218
<b>Other Operating Expenses</b>			3,093,797	3,355,412	3,495,132	3,635,597	3,793,032	3,952,726	4,140,479	4,337,274	4,543,550	4,759,770	4,953,492
<b>Capex Reserve</b>			11,536,673	12,448,573	12,981,976	13,515,868	14,121,300	14,733,671	15,466,001	16,234,795	17,041,871	17,889,138	18,760,339
Total -			90,182,950	99,018,308	102,855,710	106,758,249	110,998,482	115,332,898	120,193,913	125,266,280	130,559,460	136,083,344	141,765,049
<b>NET OPERATING INCOME</b>			<b>219,196,781</b>	<b>236,522,880</b>	<b>246,657,536</b>	<b>256,801,498</b>	<b>268,304,700</b>	<b>279,939,751</b>	<b>293,854,021</b>	<b>308,461,108</b>	<b>323,795,554</b>	<b>339,893,621</b>	<b>358,010,764</b>
<b>ADD: Reversion Value (Resale Value)</b>													8,546,040,948.76
<b>LESS: Marketing Cost</b>	0.0%	of Resale Value											-
<b>Net Reversion Value</b>													8,546,040,949
Present Worth Factor @	9.1%	discount rate	0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
<b>Present Worth of Net Income</b>			<b>209,856,196</b>	<b>207,556,354</b>	<b>198,395,817</b>	<b>189,326,291</b>	<b>181,307,973</b>	<b>173,391,756</b>	<b>166,828,697</b>	<b>160,514,690</b>	<b>154,440,252</b>	<b>148,596,261</b>	<b>1,790,214,287</b>
<b>Present Worth of Net Reversion Value</b>													3,576,987,838
<b>Total Present Value of Net Income</b>													1,790,214,287
<b>Present Worth of Net Reversion Value</b>													3,576,987,838
<b>Total</b>													5,367,202,125
<b>Market Value of Property (Building and its facilities)</b>		PhP											5,367,202,125
<b>Rounded to</b>		PhP											5,367,202,000

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php5,367,202,000**.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

18/20 Upper McKinley Building

Located in  
**Upper McKinley, Barangay Pinagsama  
Taguig City, Metro Manila**



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31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-006**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **18/20 Upper McKinley Building (building and its facilities)**, located **along Upper McKinley Hill Road and extends towards McKinley Park Road; within Upper McKinley West, Barangay Pinagsama, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FOUR BILLION THREE HUNDRED THIRTY MILLION ONE HUNDRED TWELVE THOUSAND (Php4,330,112,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3724602

16 January 2024

Dasmariñas City

JVP :mfm

**CAI File No. 11-2024-1058-006**



**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-006**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within Barangay Pinagsama, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

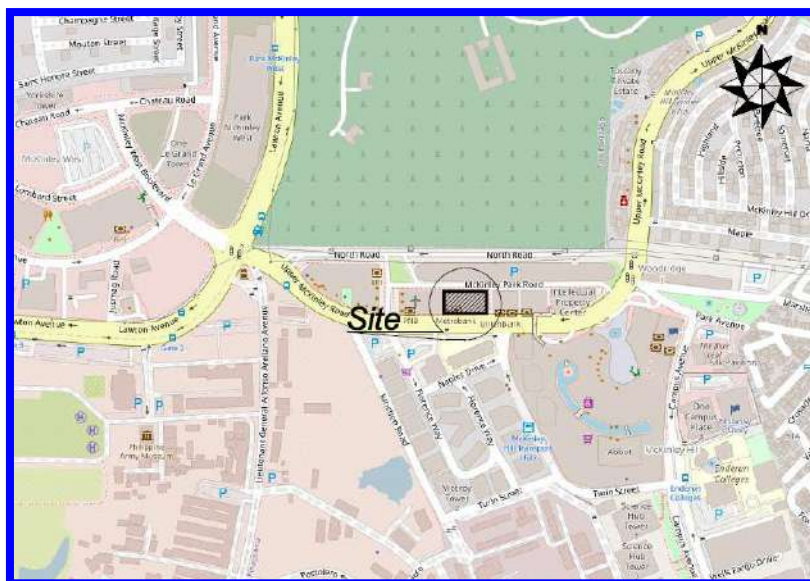
### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is the **18/20 Upper McKinley Building (building and its facilities)**, located **along Upper McKinley Hill Road extends towards McKinley Park Road; within Upper McKinley West, Barangay Pinagsama, Taguig City, Metropolitan Manila**.

The site is located on the north side of Upper McKinley Hill Road and on the south side of McKinley Park Road, approximately 300 meters southeast from the intersection of Lawton Avenue and Upper McKinley Hill Road; 1-kilometer southwest from the corner of Carlos P. Garcia Avenue (C-5) and Upper McKinley Hill Road; and about 1.2-kilometer east from the corner of Lawton Avenue and Bayani Road.

Upper McKinley Road is 30 meters wide; while McKinley Park Road is 6 meters. All are concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**18/20 UPPER MCKINLEY BUILDING**



**Vicinity Map**

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### **III. NEIGHBORHOOD DATA**

Upper McKinley Hill, part of the larger McKinley Hill development in Taguig City, Metro Manila, Philippines, is a 50-hectare Italian-themed urban township developed by Megaworld Corporation. This integrated community seamlessly combines residential, office, commercial, retail, sports, recreation, and institutional components, creating a vibrant mini-city environment.

McKinley Hill boasts over 270,000 square meters of office space, accommodating numerous businesses and multinational companies. The township is known for its campus-type office buildings, many accredited as PEZA special economic zones for information technology, resembling those in Silicon Valley.

Strategically located at the junction of Lawton Avenue, McKinley Road, and C-5, McKinley Hill provides easy access to major thoroughfares, making it convenient for residents and professionals commuting to and from the area.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicle and pedestrian traffic loads. Major thoroughfares are concreted with widths ranging from 6 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Chinese International School
- Venice Grand Canal
- Venice Luxury Residences
- Philippine Army National Headquarters
- Enderun Colleges
- McKinley Stadium
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Taguig City and its neighboring towns/cities is available along Lawton Avenue which is approximately 300 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

## VI. DESCRIPTION OF THE BUILDING

### 18/20 Upper McKinley Building

This is a ten (10)-storey building having a reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, acoustic board on T-runner ceilings; cement plastered concrete hollow block walls and partitions; fixed and glass panel on aluminum frame windows; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill, wood and steel louver doors; carpeted, ceramic tile, wood vinyl tile, plain cement with epoxy paint floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 25,349.40-square meters and 19,412.81-square meter, allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	1,259.79	963.82	Philippine Seven Corporation, Metrobank, London Stock Exchange Group
Parking	-	-	
Second	-	-	
Third	3,011.04	2,306.00	Cognizant
Fourth	3,011.04	2,306.00	Vacant
Fifth	3,011.04	2,306.00	Flash Express
Sixth	3,012.33	2,306.99	InterGlobe Technologies
Seventh	3,011.04	2,306.00	London Stock Exchange Group
Eight	3,011.04	2,306.00	London Stock Exchange Group
Ninth	3,011.04	2,306.00	Thompson Reuters
Tenth	<u>3,011.04</u>	<u>2,306.00</u>	Thompson Reuters
<b>Total -</b>	<b>25,349.40</b>	<b>19,412.81</b>	

The building construction was completed sometime in 2009. As observed, the remaining economic life of this building is about 35 years.

## VII. HIGHEST AND BEST USE

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



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

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.



Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 19,412.81 square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP	
Below one year time deposit		=	3.493%		
Average		=	4.633%		
Less: 20% withholding tax		=	0.927%		
		=	3.707%		
Plus: Recapture rate of the building	= 1/REL of the Bldg.				
	= 1/40 yrs x 100	=	2.50%		
	<b>Cap Rate</b>	=	<b>6.207%</b>		
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)	
	<b>Discount Rate</b>	=	<b>9.107%</b>		
	<b>Say</b>	=	<b>9.10%</b>		
Note: REL - Remaining Economic Life The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 5% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 4.10% (discount rate less growth rate);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention sale this property on the end of 10<sup>th</sup> year

Discounted Cash Flow Analysis (in PhP) 18/20 UPPER MCKINLEY BUILDING														
<b>STATISTICS</b>														
Land Area		-	sq.m.											
Gross Floor Area		25,349.40	sq.m.											
Gross Leasable Area		19,412.81	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		4.1%												
Discount Rate		9.1%												
Present Worth Factor				0.91659	0.84014	0.77006	0.70583	0.64696	0.59300	0.54353	0.49820	0.45664	0.41855	0.38364
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>			Escalation		6%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)			of gross revenues	245,122,600	260,865,081	269,998,406	280,734,179	291,861,656	303,153,814	315,865,318	329,182,470	343,134,506	357,752,086	372,062,169
<b>Effective Gross Revenues</b>				<b>245,122,600</b>	<b>260,865,081</b>	<b>269,998,406</b>	<b>280,734,179</b>	<b>291,861,656</b>	<b>303,153,814</b>	<b>315,865,318</b>	<b>329,182,470</b>	<b>343,134,506</b>	<b>357,752,086</b>	<b>372,062,169</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -				43,835,582	48,729,605	50,435,485	52,346,026	54,325,238	56,348,322	58,557,940	60,863,059	63,267,929	65,776,996	68,454,120
<b>Other Operating Expenses</b>				2,451,226	2,608,651	2,699,984	2,807,342	2,918,617	3,031,538	3,158,653	3,291,825	3,431,345	3,577,521	3,723,126
<b>Capex Reserve</b>				9,941,790	10,476,341	10,843,147	11,279,041	11,730,890	12,188,698	12,707,436	13,251,379	13,821,762	14,419,878	15,122,127
Total -				56,228,597	61,814,597	63,978,616	66,432,408	68,974,744	71,568,558	74,424,029	77,406,263	80,521,036	83,774,396	87,299,372
<b>Total -</b>				<b>56,228,597</b>	<b>61,814,597</b>	<b>63,978,616</b>	<b>66,432,408</b>	<b>68,974,744</b>	<b>71,568,558</b>	<b>74,424,029</b>	<b>77,406,263</b>	<b>80,521,036</b>	<b>83,774,396</b>	<b>87,299,372</b>
<b>NET OPERATING INCOME</b>				<b>188,894,003</b>	<b>199,050,485</b>	<b>206,019,790</b>	<b>214,301,771</b>	<b>222,886,911</b>	<b>231,585,256</b>	<b>241,441,288</b>	<b>251,776,207</b>	<b>262,613,470</b>	<b>273,977,690</b>	<b>284,762,797</b>
<b>ADD: Reversion Value (Resale Value)</b>														6,945,434,067.86
<b>LESS: Marketing Cost</b>			0.0% of Resale Value											-
<b>Net Reversion Value</b>														<b>6,945,434,068</b>
Present Worth Factor @			9.1% discount rate	0.91659	0.84014	0.77006	0.70583	0.64696	0.59300	0.54353	0.49820	0.45664	0.41855	0.41855
<b>Present Worth of Net Income</b>				<b>173,138,408</b>	<b>167,229,826</b>	<b>158,648,032</b>	<b>151,260,927</b>	<b>144,198,523</b>	<b>137,329,046</b>	<b>131,231,558</b>	<b>125,434,407</b>	<b>119,920,724</b>	<b>114,674,722</b>	<b>1,423,066,173</b>
<b>Present Worth of Net Reversion Value</b>														<b>2,907,045,887</b>
<b>Total Present Value of Net Income</b>														<b>1,423,066,173</b>
<b>Present Worth of Net Reversion Value</b>														<b>2,907,045,887</b>
<b>Total</b>														<b>4,330,112,061</b>
<b>Market Value of Property (Building and its facilities)</b>			PhP											<b>4,330,112,061</b>
<b>Rounded to</b>			PhP											<b>4,330,112,000</b>

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,330,112,000.**

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC**

1800 Eastwood Avenue Building

Located in  
**Eastwood City**  
**Quezon City, Metro Manila**



**Cuervo Appraisers, Inc.®**  
**ASSET VALUATION SOLUTIONS**

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(632) 8631-1645

Cebu  
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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

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Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

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Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), 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.

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**Representations**

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **1800 Eastwood Avenue Building (building and its facilities)**, located at **No. 1800, Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Quezon City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.



We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **SIX BILLION SIX HUNDRED TWENTY-NINE MILLION ONE HUNDRED SIXTY-EIGHT THOUSAND (Php6,629,168,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

GYD:mfm

**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. 11-2024-1058**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located in Eastwood City, Quezon City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is the **1800 Eastwood Avenue Building (building and its facilities)**, located at **No. 1800, Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Quezon City, Metro Manila**.

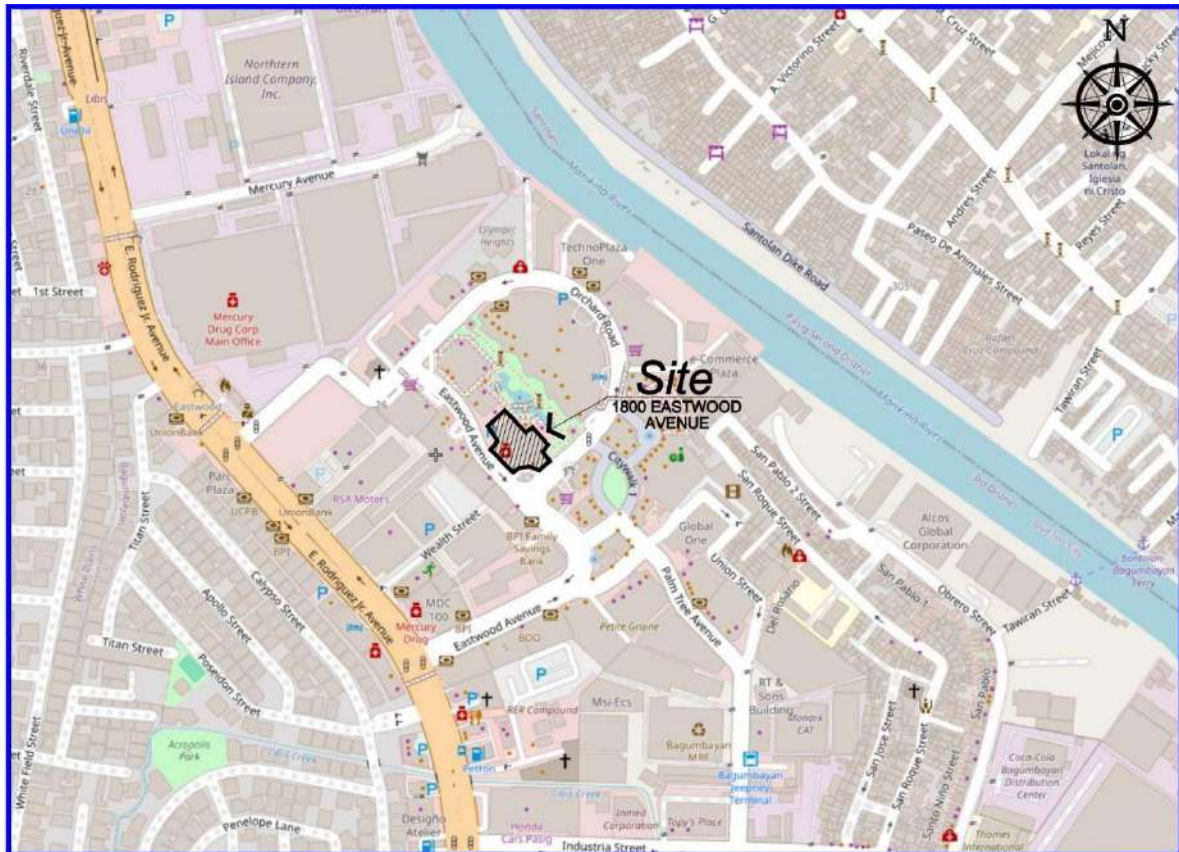
The site is located on the north corner of Eastwood Avenue and Orchard Road; 300 meters northeast from the intersection of E. Rodriguez Jr. and Eastwood Avenues; 350 meters east from the intersection of E. Rodriguez Jr. Avenue and Orchard Road; and about 500 meters northwest from the intersection of E. Rodriguez Sr. Avenue and Calle Industria.

Eastwood Avenue and Orchard Road are 15 and 12 meters wide, respectively. Both are asphalt paved, and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**1800 EASTWOOD AVENUE BUILDING**







**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

1800 Eastwood Avenue Building is located within Eastwood City, a mixed-use development complex located within Barangay Bagumbayan, Quezon City, Metro Manila.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 35 meters, and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Eastwood Mall
- Pope John Paul II Parish Church
- McKinley Village
- Olympic Heights Tower
- One Orchard Road Condominium
- Grand Eastwood Palazzo
- Techno Plaza
- Eastwood City Walk
- The Eastwood Lafayette
- The Eastwood Excelsior

Eastwood City serves as the shopping and commercial center of the residents in the area. This is where the subject condominium building is erected. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from E. Rodriguez Jr. Avenue.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Quezon City, as well as to the other parts of Metro Manila is available along E. Rodriguez Jr. Avenue which is approximately 300 meters from the subject building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **1800 Eastwood Avenue Building**

This is a ten (10)-storey reinforced concrete frame building with a two (2) level penthouse having waterproof reinforced concrete roof deck and long-span metal sheet on steel frame roof with thermal heat insulation; fiber cement board, gypsum board, and drop-down panel ceilings; aluminum cladding, tempered glass, and cement plastered concrete hollow block walls; cement plastered concrete hollow block partly with granite tile finish on lobby and elevators area, fiber cement board, and glass panel partitions; steel louver ventilation and tempered glass windows; frameless glass, metal, steel, and glass on aluminum frame doors; and ceramic, granite, and marble tiles finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of stand-by genset, nine (9) passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 43,423 square meters and 34,739 square meters, as allocated below:



Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	2,825	2,260	Coffee Bean & Tea Leaf, Watsons, Rustans Marketing Specialists Inc, Marks & Spencer, Uniqlo, and J.Co Donuts And Coffee
Parking	-	-	
2/F	4,448	3,559	Ubiquity Global Services Philippines, Inc.
3/F	4,560	3,635	NTT Data Services Philippines, Inc.
4/F	4,560	3,661	NTT Data Services Philippines, Inc.
5/F	4,576	3,661	IBM Business Service Inc.
6/F	4,576	3,661	Acquire Asia Pacific (Phils), Inc.
7/F	4,643	3,714	IBM Business Service Inc.
8/F	4,643	3,714	IBM Business Service Inc.
9/F	3,511	2,809	Vacant
10/F	4,229	3,383	Aspen Co. Work, Inc. and Advance Energy
11/F	426	341	Advance Energy
12/F	<u>426</u>	<u>341</u>	<u>Vacant</u>
<b>Total -</b>	<b>43,423</b>	<b>34,738</b>	

The construction was reportedly completed sometime in 2009. As observed, the remaining economic life of this building is about 35 years.

## VII. HIGHEST AND BEST USE

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

**Highest and Best Use** is 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.

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## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI).

The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling).

Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates on the next page:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 34,738-square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	3.493%	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) 1800 EASTWOOD AVENUE														
<b>STATISTICS</b>														
Land Area	-	sq.m.												
Gross Floor Area	43,423.00	sq.m.												
Gross Leasable Area	34,738.00	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%													
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
	<b>Year</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>	Escalation			4.03%	4.09%	4.24%	4.31%	4.33%	4.34%	4.36%	4.37%	4.38%		4.38%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
<b>Total Annual Revenues</b>			<b>468,595,708</b>	<b>487,485,467</b>	<b>507,431,544</b>	<b>528,923,216</b>	<b>551,741,556</b>	<b>575,626,928</b>	<b>600,630,099</b>	<b>626,804,283</b>	<b>654,205,260</b>	<b>682,891,503</b>		<b>712,835,608</b>
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	of gross revenues		468,595,708	487,485,467	507,431,544	528,923,216	551,741,556	575,626,928	600,630,099	626,804,283	654,205,260	682,891,503		712,835,608
<b>Effective Gross Revenues</b>			<b>468,595,708</b>	<b>487,485,467</b>	<b>507,431,544</b>	<b>528,923,216</b>	<b>551,741,556</b>	<b>575,626,928</b>	<b>600,630,099</b>	<b>626,804,283</b>	<b>654,205,260</b>	<b>682,891,503</b>	<b>5,684,335,564</b>	<b>712,835,608</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -			111,001,611	119,588,200	124,099,688	128,864,845	133,861,695	139,063,764	144,479,749	150,118,731	155,990,186	162,104,007		168,457,449
<b>Other Operating Expenses</b>			<b>4,685,957</b>	<b>4,874,855</b>	<b>5,074,315</b>	<b>5,289,232</b>	<b>5,517,416</b>	<b>5,756,269</b>	<b>6,006,301</b>	<b>6,268,043</b>	<b>6,542,053</b>	<b>6,828,915</b>		<b>7,128,356</b>
<b>Capex Reserve</b>			<b>17,645,407</b>	<b>18,151,121</b>	<b>18,912,877</b>	<b>19,738,457</b>	<b>20,618,122</b>	<b>21,540,345</b>	<b>22,507,202</b>	<b>23,520,875</b>	<b>24,583,651</b>	<b>25,697,929</b>		<b>26,862,713</b>
Total -			133,332,975	142,614,175	148,086,881	153,892,534	159,997,233	166,360,378	172,993,253	179,907,650	187,115,890	194,630,851		202,448,518
<b>Total -</b>			<b>133,332,975</b>	<b>142,614,175</b>	<b>148,086,881</b>	<b>153,892,534</b>	<b>159,997,233</b>	<b>166,360,378</b>	<b>172,993,253</b>	<b>179,907,650</b>	<b>187,115,890</b>	<b>194,630,851</b>	<b>1,638,931,818</b>	<b>202,448,518</b>
<b>NET OPERATING INCOME</b>			<b>335,262,733</b>	<b>344,871,292</b>	<b>359,344,663</b>	<b>375,030,683</b>	<b>391,744,323</b>	<b>409,266,550</b>	<b>427,636,846</b>	<b>446,896,634</b>	<b>467,089,370</b>	<b>488,260,652</b>	<b>4,045,403,746</b>	<b>510,387,090</b>
<b>ADD: Reversion Value (Resale Value)</b>														10,007,589,999.29
<b>LESS: Marketing Cost</b>	0.0% of Resale Value													-
<b>Net Reversion Value</b>														<b>10,007,589,999</b>
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
<b>Present Worth of Net Income</b>			<b>320,976,255</b>	<b>302,635,533</b>	<b>289,034,259</b>	<b>276,490,474</b>	<b>264,722,791</b>	<b>253,495,423</b>	<b>242,780,745</b>	<b>232,552,736</b>	<b>222,786,876</b>	<b>213,460,045</b>	<b>2,618,935,138</b>	
<b>Present Worth of Net Reversion Value</b>														<b>4,010,233,155</b>
<b>Total Present Value of Net Income</b>														<b>2,618,935,138</b>
<b>Present Worth of Net Reversion Value</b>														<b>4,010,233,155</b>
<b>Total</b>														<b>6,629,168,293</b>
<b>Market Value of Property (Building and its facilities)</b>														<b>PhP 6,629,168,293</b>
<b>Rounded to</b>														<b>PhP 6,629,168,000</b>

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php6,629,168,000**.



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

1880 Eastwood Avenue Building

Located in  
**Eastwood City**  
**Quezon City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
**ASSET VALUATION SOLUTIONS**

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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN ALRO JARDIN**

Subject : **CAI File No. 11-2024-1058A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **1880 Eastwood Avenue Building (building and its facilities)**, located at **No. 1880, Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Quezon City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, It is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FIVE BILLION EIGHT HUNDRED TWELVE MILLION SIX HUNDRED SEVENTY-SIX THOUSAND (Php5,812,676,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

GYD:mfm

**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. 11-2024-1058A**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located in Eastwood City, Quezon City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

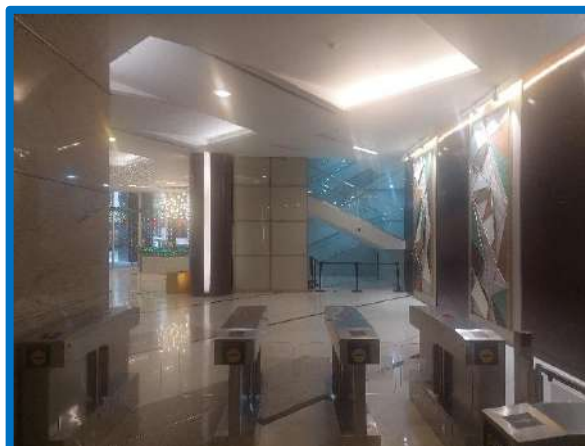
### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **1880 Eastwood Avenue Building (building and its facilities)**, located at **No. 1880, Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Quezon City, Metro Manila**.

The site is located on the east corner of Eastwood Avenue and Orchard Road; 250 meters northeast from the intersection of E. Rodriguez Jr. Avenue and Orchard Road; 400 meters northeast from the intersection of E. Rodriguez Jr. and Eastwood Avenues; and about 500 meters north from the intersection of E. Rodriguez Sr. Avenue and Calle Industria.

Eastwood Avenue and Orchard Road are 15 and 12 meters wide, respectively. Both are asphalt paved, and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**1880 EASTWOOD AVENUE BUILDING**







**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

1880 Eastwood Avenue Building is located within Eastwood City, a mixed-use development complex located in Barangay Bagumbayan, Quezon City.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 35 meters, and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Eastwood Mall
- Pope John Paul II Parish Church
- McKinley Village
- Olympic Heights Tower
- One Orchard Road Condominium
- Grand Eastwood Palazzo
- Techno Plaza
- Eastwood City Walk
- The Eastwood Lafayette
- The Eastwood Excelsior

Eastwood City serves as the shopping and commercial center of the residents in the area. This is where the subject condominium building is erected. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from E. Rodriguez Jr. Avenue.

#### IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Quezon City, as well as to the other parts of Metro Manila is available along E. Rodriguez Jr. Avenue which is approximately 250 meters from the subject building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### V. LAND DATA

No copy of the title or any land ownership document was given to us.

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

#### VI. DESCRIPTION OF THE BUILDING

##### 1880 Eastwood Avenue Building

This is a ten (10)-storey reinforced concrete frame building having waterproof reinforced concrete roof deck and long-span metal sheet on steel frame roof with thermal heat insulation; fiber cement board, concrete slab, gypsum board, and drop-down panel ceilings; aluminum cladding, tempered glass, and cement plastered concrete hollow block walls; cement plastered concrete hollow block partly with granite tile finish on lobby and elevators area, fiber cement board, and glass panel partitions; steel louver ventilation and tempered glass windows; frameless glass, metal, steel, and glass on aluminum frame doors; and ceramic, granite, and marble tiles finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped with a stand-by genset, seven (7) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 42,184 square meters and 33,745 square meters, as allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	2,709	2,168	Jamba Juice, Rustan Coffee Corporation, House of Branded Lifestyle, Inc., Pocofino
Parking	-	-	
2/F	4,333	3,466	Microsourcing Philippines, Inc.
3/F	4,425	3,540	Vacant

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
4/F	4,425	3,540	NTT Data Services Philippines, Inc.
5/F	4,404	3,523	Vacant
6/F	4,400	3,520	Microsourcing Philippines, Inc.
7/F	4,400	3,520	Emperador Distillers Bottling, Emperador Distillers-Sales Division, and Anglo Watson Glass Inc.
8/F	4,400	3,520	Probe
9/F	4,425	3,540	WNS Global Services Phils. Inc,
10/F	4,263	3,410	WNS Global Services Phils. Inc,
<b>Total -</b>	<b>42,184</b>	<b>33,745</b>	

The construction was reportedly completed sometime in 2000. As observed, the estimated remaining economic life of this building is about 25 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property.

These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 33,745.00 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate			=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25,. 2024 BSP
Below one year time deposit			=	<u>3.493%</u>	
Average			=	4.633%	
Less: 20% withholding tax			=	<u>0.927%</u>	
			=	3.707%	
Plus: Recapture rate of the building	=	1/REL of the Bldg.			
	=	1/40 yrs x 100	=	<u>2.50%</u>	
		<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate			=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
		<b>Discount Rate</b>	=	<b>9.107%</b>	
		<b>Say</b>	=	<u><b>9.10%</b></u>	
Note: REL - Remaining Economic Life					
The average of MREIT buildings is 40-year.					

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in Php) 1880 EASTWOOD AVENUE														
<b>STATISTICS</b>														
Land Area	-	sq.m.												
Gross Floor Area	42,184.00	sq.m.												
Gross Leasable Area	33,745.00	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%													
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
		<b>Year</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>Totals</b>	<b>2035</b>
<b>GROSS REVENUES</b>	Escalation			5.51%	3.43%	3.52%	3.79%	3.82%	3.85%	3.88%	3.91%	3.57%		3.57%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
<b>Total Annual Revenues</b>			<b>424,893,984</b>	<b>448,320,385</b>	<b>463,717,073</b>	<b>480,042,154</b>	<b>498,240,255</b>	<b>517,278,607</b>	<b>537,196,785</b>	<b>558,036,257</b>	<b>579,840,476</b>	<b>600,543,657</b>		<b>621,986,043</b>
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	of gross revenues		424,893,984	448,320,385	463,717,073	480,042,154	498,240,255	517,278,607	537,196,785	558,036,257	579,840,476	600,543,657		621,986,043
<b>Effective Gross Revenues</b>			<b>424,893,984</b>	<b>448,320,385</b>	<b>463,717,073</b>	<b>480,042,154</b>	<b>498,240,255</b>	<b>517,278,607</b>	<b>537,196,785</b>	<b>558,036,257</b>	<b>579,840,476</b>	<b>600,543,657</b>	<b>5,108,109,633</b>	<b>621,986,043</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -			101,960,593	110,444,853	114,277,142	118,287,575	122,585,459	127,056,743	131,708,646	136,548,696	141,584,744	146,586,400		151,764,746
<b>Other Operating Expenses</b>			4,248,940	4,483,204	4,637,171	4,800,422	4,982,403	5,172,786	5,371,968	5,580,363	5,798,405	6,005,437		6,219,860
<b>Capex Reserve</b>			15,934,223	16,669,616	17,240,138	17,847,708	18,533,620	19,252,454	20,005,809	20,795,360	21,622,866	22,397,591		23,200,073
<b>Total -</b>			<b>122,143,756</b>	<b>131,597,674</b>	<b>136,154,451</b>	<b>140,935,704</b>	<b>146,101,481</b>	<b>151,481,983</b>	<b>157,086,423</b>	<b>162,924,419</b>	<b>169,006,015</b>	<b>174,989,428</b>	<b>1,492,421,333</b>	<b>181,184,680</b>
<b>NET OPERATING INCOME</b>			<b>302,750,228</b>	<b>316,722,712</b>	<b>327,562,623</b>	<b>339,106,450</b>	<b>352,138,774</b>	<b>365,796,624</b>	<b>380,110,362</b>	<b>395,111,838</b>	<b>410,834,461</b>	<b>425,554,229</b>	<b>3,615,688,301</b>	<b>440,801,363</b>
<b>ADD: Reversion Value (Resale Value)</b>														8,643,163,985.58
<b>LESS: Marketing Cost</b>	0.0% of Resale Value													-
<b>Net Reversion Value</b>														<b>8,643,163,986</b>
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
<b>Present Worth of Net Income</b>			<b>289,849,199</b>	<b>277,934,258</b>	<b>263,470,784</b>	<b>250,005,420</b>	<b>237,959,184</b>	<b>226,570,605</b>	<b>215,798,703</b>	<b>205,605,351</b>	<b>195,955,061</b>	<b>186,045,761</b>	<b>2,349,194,325</b>	
<b>Present Worth of Net Reversion Value</b>														<b>3,463,481,496</b>
<b>Total Present Value of Net Income</b>														<b>2,349,194,325</b>
<b>Present Worth of Net Reversion Value</b>														<b>3,463,481,496</b>
<b>Total</b>														<b>5,812,675,821</b>
<b>Market Value of Property (Building and its facilities)</b>														
<b>Rounded to</b>														<b>Php 5,812,676,000</b>

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php5,812,676,000**.



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Davao Finance Center

Located in  
**Barangay San Antonio**  
**Agdao, Davao City**



**Cuervo Appraisers, Inc.®**  
**ASSET VALUATION SOLUTIONS**

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Davao  
(082) 8295-267

Iloilo  
(033) 8339-0667

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-021**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Davao Finance Center (building and its facilities)**, located within **Davao Park District, Barangay San Antonio, Agdao, Davao City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a improvements only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.



We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION SEVEN HUNDRED THIRTY MILLION EIGHT HUNDRED THIRTY-SEVEN THOUSAND (Php2,730,837,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

AAA:agd:mfm

**CAI File No. 11-2024-1058-021**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-021**



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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Barangay San Antonio, Agdao, Davao City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and shown on-site by Ms. Ethel Jean Abayata (client's representative), The property appraised is the **Davao Finance Center (building and its facilities)**, located **along S. P. Dacudao Loop corner Megaworld Avenue, Davao Park District, Barangay San Antonio, Agdao, Davao City**.

Davao Finance Center is located approximately 480 meters southwest from the corner of S. P. Dacudao Loop and J. P. Laurel Avenue; 525 meters southwest from the corner of Aster Avenue and J. P. Laurel Avenue; 700 meters southeast from the corner of J. P. Laurel Avenue and Carmelite Road; 855 meters southwest from the corner of Mamay Road and J. P. Laurel Avenue and about 1.85 kilometers southeast from the corner of J. P. Laurel Avenue and Palm Drive.

S. P. Dacudao Loop and Megaworld Avenue are both 12 meters wide, concrete with asphalt overlay, and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

**DAVAO FINANCE CENTER**





### VICINITY MAP

### **III. NEIGHBORHOOD DATA**

The property is located within Davao Park District, a residential and commercial development, within Barangay San Antonio, Agdao, Davao City.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are either asphalted or concreted, with widths ranging from 12 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- SM Lanang
- Davao Whisky Park
- Park Inn by Radisson Davao
- Lanang Premiere Doctors Hospital
- Southeast Dermatology Lanang Premiere
- Lanang Business Park
- Carmelite Church and Monastery
- Acacia Hotel
- Damosa I.T. Park

SM Lanang serves the commercial, shopping, and marketing needs of the residents in the area. It is a walking distance from the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the J. P. Laurel Avenue.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to the various sections of Davao City, as well as to other parts of Davao Del Sur, is available along J. P. Laurel Avenue which is about 480 meters from subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

## **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

## **VI. DESCRIPTION OF THE BUILDING**

### **Davao Finance Center**

This is a fourteen (14)-storey reinforced concrete frame commercial/office building having reinforced concrete slab roof with waterproofing membrane; concrete slab soffit, gypsum board partly with decorative designs ceilings; glass panel, cement plastered concrete hollow block walls and partitions; glass panel on aluminum frame windows; frameless glass, glass on aluminum frame, steel and wood louvre and flush-type doors; ceramic tile, carpet and plain cement finished concrete floor.

This is painted and provided with lighting, plumbing, and telecommunication facilities. Also equipped with air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area and gross leasable area of 27,996.33-square meters and 26,074-square meter, allocated as under:

<b>Floor Level</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Gross Leasable Area (sq.m.)</b>	<b>Occupancy</b>
			Admin Office 7-Eleven VXI Global Holdings RMS Collect Philippines
G/F	385.95	359	
Parking	2,323.04	-	
			SIPC Container Lines Phils. One Call Solutions VXI Global Holdings
2/F	2,451.40	2,164	
3/F	2,281.64	2,283	VXI Global Holdings
4/F	2,281.64	2,125	RMS Collect Philippines, Inc.
5/F	2,281.64	2,125	RMS Collect Philippines, Inc.
6/F	2,281.64	2,125	RMS Collect Philippines, Inc.
7/F	2,281.64	2,125	VXI Global Holdings
8/F	2,281.64	2,125	VXI Global Holdings
9/F	2,281.64	2,125	Concentrix CVG Phils. Inc.



Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
10/F	2,281.64	2,125	Connectis Philippines, Inc.
11/F	2,281.64	2,125	Concentrix CVG Phils. Inc.
12/F	2,281.64	2,125	Concentrix CVG Phils. Inc.
13/F	-	-	
14/F	<u>2,301.18</u>	<u>2,143</u>	Concentrix CVG Phils. Inc.
<b>Total -</b>	<b>27,996.33</b>	<b>26,074</b>	

The building construction was completed sometime in 2018. As observed, the estimated remaining economic life of this building is about 45 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 26,074 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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



5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	<u>3.493%</u>	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	<u>2.90%</u>	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in Php) DAVAO FINANCE CENTER															
<b>STATISTICS</b>															
Land Area		-	sq.m.												
Gross Floor Area		27,996.33	sq.m.												
Gross Leasable Area		26,074.00	sq.m.												
Vacancy Rate (incl. bad debts)		-	(ave.)												
Terminal Capitalization Rate		5.10%													
Discount Rate		9.10%													
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation		3.34%	4.42%	3.56%	4.54%	4.55%	4.58%	4.58%	4.59%	4.59%	4.59%		4.59%
Rental Income															
Rental Income - PAS Adjustment															
Rental Income - deferred credits amortization															
Rental Income - penalties															
Income from dues - net															
Total Annual Gross Rental															
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>															
y Rate (incl. bad debts)		of gross revenues		206,494,235	213,381,245	222,806,375	230,729,637	241,215,000	252,191,434	263,739,979	275,830,390	288,488,516	301,741,455		315,603,224
<b>Effective Gross Revenues</b>				<b>206,494,235</b>	<b>213,381,245</b>	<b>222,806,375</b>	<b>230,729,637</b>	<b>241,215,000</b>	<b>252,191,434</b>	<b>263,739,979</b>	<b>275,830,390</b>	<b>288,488,516</b>	<b>301,741,455</b>	<b>2,496,618,267</b>	<b>315,603,224</b>
<b>LESS EXPENSES:</b>															
<b>Cost of Services</b>															
Outside Services															
Management Fees - FM															
Management Fees - PM															
Land Lease															
Utilities															
Taxes, Licences and Fees - RPT															
Taxes, Licences and Fees - Others															
Repairs and Maintenance															
Supplies and Materials															
Miscellaneous															
Total of Cost of Services -				59,890,869	63,882,276	66,339,273	68,675,277	71,351,221	74,134,846	77,037,134	80,056,559	83,197,997	86,466,537		89,864,672
<b>Other Operating Expenses</b>				2,064,942	2,133,812	2,228,064	2,307,296	2,412,150	2,521,914	2,637,400	2,758,304	2,884,885	3,017,415		3,156,035
<b>Capex Reserve</b>				7,226,921	7,368,258	7,711,952	7,987,353	8,372,581	8,776,734	9,203,272	9,650,776	10,120,282	10,612,875		11,129,722
Total -				69,182,733	73,384,346	76,279,288	78,969,926	82,135,953	85,433,494	88,877,806	92,465,639	96,203,164	100,096,827		104,150,429
<b>Total</b>				<b>69,182,733</b>	<b>73,384,346</b>	<b>76,279,288</b>	<b>78,969,926</b>	<b>82,135,953</b>	<b>85,433,494</b>	<b>88,877,806</b>	<b>92,465,639</b>	<b>96,203,164</b>	<b>100,096,827</b>	<b>843,029,176</b>	<b>104,150,429</b>
<b>NET OPERATING INCOME</b>				<b>137,311,502</b>	<b>139,996,899</b>	<b>146,527,087</b>	<b>151,759,711</b>	<b>159,079,047</b>	<b>166,757,940</b>	<b>174,862,173</b>	<b>183,364,751</b>	<b>192,285,352</b>	<b>201,644,628</b>	<b>1,653,589,091</b>	<b>211,452,795</b>
ADD: Reversion Value (Resale Value)															4,146,133,236.89
LESS: Marketing Cost		0.0% of Resale Value													-
<b>Net Reversion Value</b>															<b>4,146,133,237</b>
Present Worth Factor @		9.1% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
<b>Present Worth of Net Income</b>				<b>131,460,277</b>	<b>122,851,734</b>	<b>117,857,178</b>	<b>111,884,484</b>	<b>107,498,302</b>	<b>103,288,125</b>	<b>99,273,879</b>	<b>95,417,981</b>	<b>91,714,040</b>	<b>88,155,929</b>	<b>1,069,401,929</b>	
<b>Present Worth of Net Reversion Value</b>															<b>1,661,435,068</b>
<b>Total Present Value of Net Income</b>					<b>1,069,401,929</b>										
<b>Present Worth of Net Reversion Value</b>						<b>1,661,435,068</b>									
<b>Total</b>						<b>2,730,836,997</b>									
<b>Market Value of Property (Building and its facilities)</b>			Php			<b>2,730,836,997</b>									
<b>Rounded to</b>			Php			<b>2,730,837,000</b>									

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Analysis, is represented in the amount of Php2,730,837,000.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

**E-Commerce Plaza**

Located in  
**Eastwood City**  
**Quezon City, Metro Manila**



**Cuervo Appraisers, Inc.®**  
**ASSET VALUATION SOLUTIONS**

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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-001**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the ***E-Commerce Plaza Building (building and its facilities)***, located **along Garden Road, Eastwood City, Barangay Bagumbayan, Quezon City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.



We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **THREE BILLION FIVE HUNDRED TWENTY-FOUR MILLION EIGHT HUNDRED EIGHTEEN THOUSAND (Php3,524,818,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**CARMELA M. TORBELA**  
**Department Manager - Real Estate**  
Real Estate Appraiser  
PRC Registration Number: 0004270  
Valid Until: 10/04/2025  
IPREA Membership No. 1001  
PTR No. 2613561  
16 January 2024  
City of Bacoor

GYD:mfm

**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. 11-2024-1058-001

---

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located in Eastwood City, Quezon City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **E-Commerce Plaza Building (building and its facilities)**, located **on the southwest side Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Quezon City, Metro Manila**.

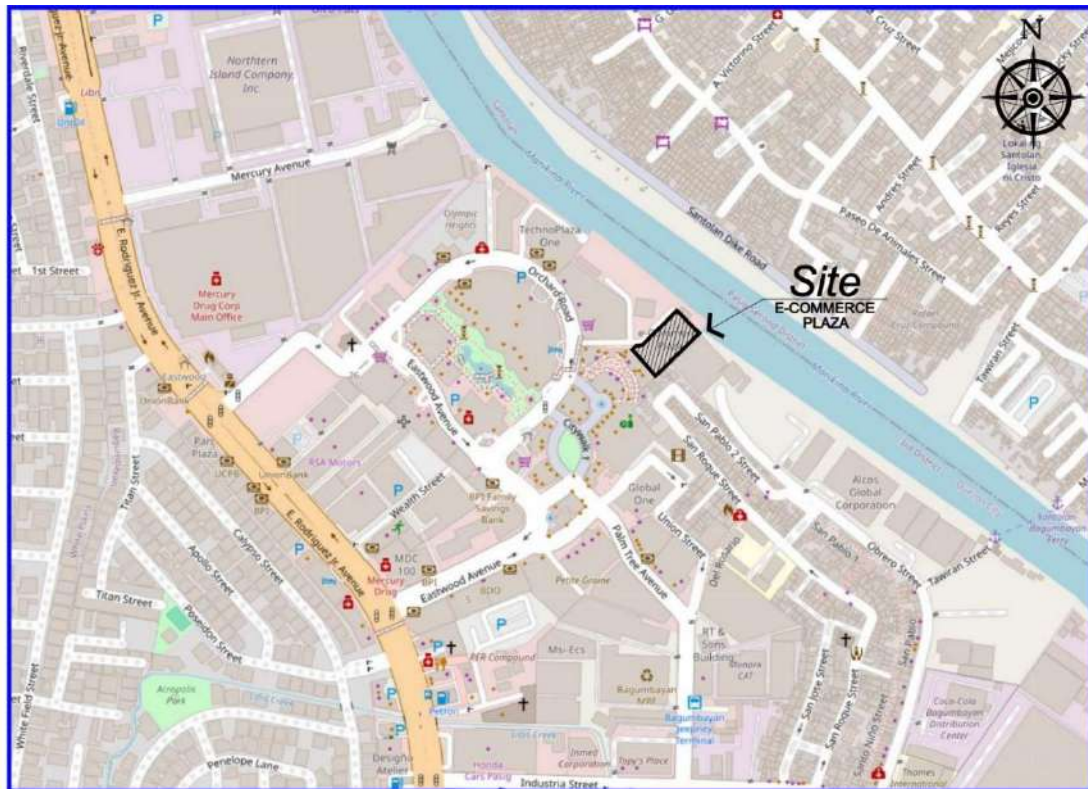
The site is located approximately 70 meters east from the intersection of Garden and Orchard Roads; 250 meters northeast from the intersection of Eastwood Avenue and Orchard Road; 550 meters northeast from the intersection of E. Rodriguez Jr. and Eastwood Avenues; 750 meters north from the intersection of E. Rodriguez Jr. Avenue and Calle Industria; and about 900 meters southeast from the intersection of Mercury Avenue and E. Rodriguez Jr. Avenue.

Garden Road is 8 meters wide, concreted with asphalt-overlay, and provided with concrete curbs and gutters, concrete sidewalk, and underground drainage.

**E-COMMERCE PLAZA**







**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

E-Commerce Plaza is located within Eastwood City, a mixed-use development complex located in Barangay Bagumbayan, Quezon City.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 35 meters, and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Eastwood Mall
- Pope John Paul II Parish Church
- McKinley Village
- Olympic Heights Tower
- One Orchard Road Condominium
- Grand Eastwood Palazzo
- Techno Plaza
- Eastwood City Walk
- The Eastwood Lafayette
- The Eastwood Excelsior

Eastwood City serves as the shopping and commercial center of the residents in the area. This is where the subject condominium building is erected. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from E. Rodriguez Jr. Avenue.

#### IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Quezon City, as well as to the other parts of Metro Manila is available along E. Rodriguez Jr. Avenue which is approximately 550 meters from the subject building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### V. LAND DATA

No copy of the title or any land ownership document was given to us.

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

#### VI. DESCRIPTION OF THE BUILDING

##### E-Commerce Plaza

This is a ten (10) storey reinforced concrete frame building having reinforced concrete slab roof; acoustic board on aluminum T-runner, gypsum board, drop-down panel, and exposed concrete slab ceilings; cement plastered concrete hollow block walls; cement plastered concrete hollow block partly with granite tile finish on lobby and elevators area and glass panel partitions; glass on aluminum frame, glass on steel casement, and glass panel windows; glass panel, steel louver, and metal partly with viewing glass doors; ceramic tile, carpet tile, epoxy painted and plain cement finished concrete floors; and ceramic tile wall to floor finish on comfort rooms.

This is painted and provided with lighting, plumbing, and telecommunication facilities. Also equipped with a stand-by genset, six (6) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 26,075 square meters and 21,032 square meters, as allocated below:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	1,893	1,520	Majorel
Parking	-	-	
2/F	2,613	2,098	V-Customer (Techmahindra)
3/F	2,760	2,216	V-Customer (Techmahindra)
4/F	2,737	2,198	V-Customer (Techmahindra)
5/F	2,737	2,198	Majorel
6/F	2,680	2,198	Vacant
7/F	2,680	2,198	Sequesntial Technologies, Inc. (STI)



Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
8/F	2,737	2,198	Sequesntial Technologies, Inc. (STI)
9/F	2,620	2,104	Vacant
10/F	<u>2,620</u>	<u>2,104</u>	CF Solutions Philippines, Inc. and Agency VA LLC Corp.
<b>Total -</b>	<b>26,075</b>	<b>21,032</b>	

The construction was reportedly completed sometime in 2008. As observed, the remaining economic life of this building is about 35 years.

## VII. HIGHEST AND BEST USE

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 21,032.00 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit		=	3.493%	
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) E-COMMERCE PLAZA														
<b>STATISTICS</b>														
Land Area	-	sq.m.												
Gross Floor Area	26,075.00	sq.m.												
Gross Leasable Area	21,032.00	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	5.10%													
Discount Rate	9.10%													
Present Worth Factor			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
	<b>Year</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>	Escalation			5.80%	3.41%	3.30%	3.80%	3.82%	3.69%	3.42%	4.00%	4.03%		4.03%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
<b>Total Annual Revenues</b>			248,763,932	263,192,152	272,176,908	281,162,268	291,846,810	303,009,454	314,189,187	324,933,880	337,922,643	351,528,120		365,681,383
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	of gross revenues		248,763,932	263,192,152	272,176,908	281,162,268	291,846,810	303,009,454	314,189,187	324,933,880	337,922,643	351,528,120		365,681,383
<b>Effective Gross Revenues</b>			<b>248,763,932</b>	<b>263,192,152</b>	<b>272,176,908</b>	<b>281,162,268</b>	<b>291,846,810</b>	<b>303,009,454</b>	<b>314,189,187</b>	<b>324,933,880</b>	<b>337,922,643</b>	<b>351,528,120</b>	<b>2,988,725,353</b>	<b>365,681,383</b>
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -			53,146,812	58,238,037	60,250,720	62,298,382	64,574,181	66,941,402	69,349,259	71,748,015	74,441,812	77,248,210		80,160,408
<b>Other Operating Expenses</b>			2,487,639	2,631,922	2,721,769	2,811,623	2,918,468	3,030,095	3,141,882	3,249,339	3,379,226	3,515,281		3,656,814
<b>Capex Reserve</b>			9,656,474	10,116,110	10,460,221	10,802,613	11,217,708	11,651,898	12,084,902	12,496,826	13,005,080	13,538,231		14,093,239
Total -			65,290,925	70,986,068	73,432,710	75,912,617	78,710,357	81,623,395	84,576,053	87,494,180	90,826,119	94,301,723		97,910,461
<b>Total -</b>			<b>65,290,925</b>	<b>70,986,068</b>	<b>73,432,710</b>	<b>75,912,617</b>	<b>78,710,357</b>	<b>81,623,395</b>	<b>84,576,053</b>	<b>87,494,180</b>	<b>90,826,119</b>	<b>94,301,723</b>	<b>803,154,148</b>	<b>97,910,461</b>
<b>NET OPERATING INCOME</b>			<b>183,473,006</b>	<b>192,206,084</b>	<b>198,744,197</b>	<b>205,249,651</b>	<b>213,136,452</b>	<b>221,386,059</b>	<b>229,613,135</b>	<b>237,439,700</b>	<b>247,096,524</b>	<b>257,226,397</b>	<b>2,185,571,206</b>	<b>267,770,921</b>
<b>ADD: Reversion Value (Resale Value)</b>														5,250,410,223.25
<b>LESS: Marketing Cost</b>	0.0% of Resale Value													-
<b>Net Reversion Value</b>														<b>5,250,410,223</b>
Present Worth Factor @	9.10% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
<b>Present Worth of Net Income</b>			<b>175,654,711</b>	<b>168,666,955</b>	<b>159,857,340</b>	<b>151,319,815</b>	<b>144,027,809</b>	<b>137,124,211</b>	<b>130,357,448</b>	<b>123,557,100</b>	<b>117,857,237</b>	<b>112,455,423</b>	<b>1,420,878,048</b>	
<b>Present Worth of Net Reversion Value</b>														<b>2,103,940,025</b>
<b>Total Present Value of Net Income</b>														<b>1,420,878,048</b>
<b>Present Worth of Net Reversion Value</b>														<b>2,103,940,025</b>
<b>Total</b>														<b>3,524,818,073</b>
<b>Market Value of Property (Building and its facilities)</b>	PhP													<b>3,524,818,073</b>
<b>Rounded to</b>	PhP													<b>3,524,818,000</b>

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php3,524,818,000**.



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

**Festive Walk 1B**

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.<sup>®</sup>**  
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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-014**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the ***Festive Walk IB (building and its facilities)***, located along **Festive Walk Road and Explorer Road**, within **Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION NINE HUNDRED SIXTY-FOUR MILLION SIX HUNDRED THIRTY-THREE THOUSAND (Php1,964,633,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:mfm:moa

**CAI File No. 11-2024-1058-014**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-014**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **Festive Walk IB (building and its facilities)**, located **on the southwest side by Festive Walk Road extending towards the northwest side of Explorer Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The property is located across Festive Mall Walk Iloilo; approximately 70 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 510 meters southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.15 kilometers northwest from SM City Iloilo.

Festive Walk and Explorer Road are 20 and 10 meters wide, respectively. Both are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

## FESTIVE WALK IB

### ROOFDECK AND HALLWAY



### COMMERCIAL AND RETAIL SPACES







**VIEW OF THE SUBJECT BUILDING ALONG FESTIVE WALK ROAD**



**VICINITY MAP**

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### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development, located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- One Global Center
- Two Global Center
- Festive Walk Transport Hub
- Richmonde Hotel and Tower
- Countyard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

## VI. DESCRIPTION OF THE BUILDING

### Festive Walk IB

This is a twin tower four (4)-storey reinforced concrete frame office building, having a reinforced concrete slab roof with a waterproofing membrane and partly color roof tiles span on steel trusses and frame with ACI insulation; concrete slab soffit, gypsum board ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed and sliding glass panel on powder coated frame windows; full glass on powder coated frame, laminated wood panel, steel louver, steel roll-up, steel grill and insulated steel doors; and ceramic tile, vinyl tile, washed out pebbles, plain cement with epoxy paint finished concrete floors. This building is provided with a clock tower located at the roof deck area.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, six (6) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 19,417 square meters and 14,703 square meters, respectively, allocated as follows:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	3,724	2,820	IQOR, Retail units, administration office, and comfort rooms
2/F	6,516	4,934	IQOR, utility rooms, and comfort rooms
3/F	6,445	4,880	IQOR, RMS Collection, utility rooms, and comfort rooms
4/F	<u>2,732</u>	<u>2,069</u>	Vacant at tower A, RMS Collection, utility rooms, and comfort rooms
<b>Total -</b>	<b>19,417 sq.m.</b>	<b>14,703 sq.m.</b>	

## VII. HIGHEST AND BEST USE

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

**Highest and Best Use** is 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**

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**By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

**Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:



1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 14,703 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	3.493%	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
1. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP) FESTIVE WALK 1B														
<b>STATISTICS</b>														
Land Leased Area														
Gross Floor Area (GFA)		19,417	sq.m.											
Gross Leasable Area (GLA)		14,703	sq.m.											
Vacancy Rate (incl. bad debts)	-	(ave)												
Terminal Capitalization Rate		5.10%												
Discount Rate		9.10%	years											
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			Year	1	2	3	4	5	6	7	8	9	10	Total
<b>GROSS REVENUES</b>			Escalation		2.66%	2.52%	4.11%	4.13%	4.15%	4.17%	4.19%	4.20%	4.22%	4.22%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -		-												
<b>Total Annual Revenues</b>														
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)		of gross revenues		151,625,033	155,663,514	159,590,336	166,144,939	173,002,541	180,177,427	187,684,566	195,539,642	203,759,094	212,360,146	221,324,265
<b>Effective Gross Revenues</b>				151,625,033	155,663,514	159,590,336	166,144,939	173,002,541	180,177,427	187,684,566	195,539,642	203,759,094	212,360,146	221,324,265
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -				41,168,802	43,859,122	45,222,273	46,914,543	48,674,358	50,504,498	52,407,860	54,387,466	56,446,466	58,588,144	60,811,082
<b>Other Operating Expenses</b>		of gross revenues		1,516,250	1,556,635	1,595,903	1,661,449	1,730,025	1,801,774	1,876,846	1,955,396	2,037,591	2,123,601	2,213,243
<b>Capex Reserve</b>				5,446,999	5,512,388	5,638,608	5,878,447	6,129,908	6,393,558	6,669,993	6,959,839	7,263,752	7,582,420	7,915,068
Total -				48,132,051	50,928,145	52,456,785	54,454,440	56,534,291	58,699,830	60,954,699	63,302,702	65,747,809	68,294,166	70,939,393
<b>Total</b>				48,132,051	50,928,145	52,456,785	54,454,440	56,534,291	58,699,830	60,954,699	63,302,702	65,747,809	68,294,166	70,939,393
<b>NET OPERATING INCOME</b>				103,492,982	104,735,369	107,133,552	111,690,499	116,468,249	121,477,597	126,729,867	132,236,940	138,011,285	144,065,980	150,384,872
<b>ADD: Reversion Value (Resale Value)</b>														2,948,722,984
<b>LESS: Marketing Cost</b>		0.00% of Resale Value												-
<b>Net Reversion Value</b>														2,948,722,984
Present Worth Factor @	9.10%	discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-
<b>Present Worth of Net Income</b>				99,082,858	91,908,619	86,171,495	82,343,553	78,703,885	75,241,954	71,947,896	68,812,472	65,827,024	62,983,430	783,023,186
<b>Present Worth of Net Reversion Value</b>														1,181,609,826
<b>Total Present Value of Net Income</b>														783,023,186
<b>Present Worth of Net Reversion Value</b>														1,181,609,826
<b>Total</b>														1,964,633,012
On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of Php1,964,633,000.														
<b>Market Value of the Building</b>			PhP	1,964,633,012										
<b>Rounded to</b>			PhP	1,964,633,000										



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Richmonde Tower

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
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[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-007**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Richmonde Tower (building and its facilities)**, located on the corner of **Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.



We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised using the income approach as of **31 December 2024** is reasonably represented in the amount of **EIGHT HUNDRED FORTY-ONE MILLION NINE HUNDRED SIXTY-ONE THOUSAND (Php841,961,000) PESOS**.

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

MPR/CMT:mfm

**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. 11-2024-1058-007**



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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

The rights appraised in this report are the property rights in fee simple, free, and clear.

**Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and guided by Mr. Arvin N. Muyong (client's representative), the appraised property is the **Richmonde Tower (building and its facilities)**, located **on the north corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao, Iloilo City**.

The property is located across Iloilo Convention Center; approximately 75 meters southwest from Festive Walk Mall; 400 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.40 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.65 kilometers northwest from SM City Iloilo.

Megaworld Boulevard and Enterprise Road are 30 and 20 meters wide, respectively. Both are concreted and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage. Megaworld Boulevard is provided with a center island.

**RICHMONDE TOWER**





**VIEW OF THE PROPERTY TAKEN ALONG MEGAWORLD BOULEVARD**



### VICINITY MAP



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### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- One Global Center
- Festive Walk Transport Hub
- Two Techno Place
- Two Global Center
- Courtyard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing, and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

## VI. DESCRIPTION OF THE BUILDING

### Richmonde Tower

This is a twelve (12)-level reinforced concrete framed building having a reinforced concrete slab roof covered with waterproofing membrane; gypsum board on metal frame ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed tempered glass panel on powder coated frame windows; full glass on aluminum frame, wood panel and insulated steel doors; and ceramic tile and plain cement with epoxy paint finished concrete floors.

Typically, all the leasable units are bare shells consisting of concrete soffit slab ceilings; cement-plastered concrete hollow block on walls and partitions; fixed glass on aluminum frame windows; and plain cement-finished concrete floors.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. Also equipped with an air conditioning system, stand-by genset, three (3) passenger elevators, and CCTV camera security system having gross floor area and gross leasable area of 10,477 square meters and 6,355 square meters, respectively, allocated as follows:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	68	68	Reed
Parking		500	Parking
Second	3,907	1,719	RMS (991.26 sq.m.) Vacant (727.40 sq.m.)
Third	4,106	2,017	Reed
Fourth	<u>2,396</u>	<u>2,051</u>	Reed
<b>Total -</b>	<b>10,477</b>	<b>6,355</b>	

The building construction was completed sometime in 2015. As observed, the estimated remaining economic life of this building is 41 years.

Note: Richmonde Hotel was valued in a separate report

## VII. HIGHEST AND BEST USE

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

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

---

**VIII. VALUATION****By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

**Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates as shown on the next page:



1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 6,355 -square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024
Below one year time deposit		=	3.493%	Peso Deposit December 19-25, 2024 BSP
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 4% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 5.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

Discounted Cash Flow Analysis (in PhP)															
RICHMONDE TOWER															
STATISTICS															
Gross Leasable Area (GLA)		6,355.00	sq.m.												
Vacancy Rate (incl. bad debts)	-		(ave)												
Terminal Capitalization Rate		5.10%													
Discount Rate		9.10%													
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.40072	
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
			Year	1	2	3	4	5	6	7	8	9	10	Total	11
GROSS REVENUES			Escalation	0%	-3.40%	4.41%	4.25%	5.22%	4.60%	4.58%	4.58%	4.58%	4.59%		4.59%
Rental Income															
Rental Income - PAS Adjustment															
Rental Income - deferred credits amortization															
Rental Income - penalties															
Income from dues - net															
Total Annual Gross Rental -		-													
Total Annual Revenues															
LESS:															
Vacancy Rate (incl. bad debts)		of gross revenues		65,590,396	63,359,949	66,156,456	68,969,133	72,568,005	75,906,333	79,379,863	83,015,807	86,821,892	90,806,215		94,973,383
Effective Gross Revenues				65,590,396	63,359,949	66,156,456	68,969,133	72,568,005	75,906,333	79,379,863	83,015,807	86,821,892	90,806,215	752,574,050	94,973,383
LESS EXPENSES:															
Cost of Services															
Outside Services															
Management Fees - FM															
Management Fees - PM															
Land Lease															
Utilities															
Taxes, Licenses and Fees - RPT															
Taxes, Licenses and Fees - Others															
Repairs and Maintenance															
Supplies and Materials															
Miscellaneous															
Total Cost of Services -				17,318,893	18,028,497	18,724,911	19,436,467	20,250,643	21,049,640	21,878,677	22,741,345	23,639,052	24,573,267		25,544,402
Other Operating Expenses		of gross revenues		655,904	633,599	661,565	689,691	725,680	759,063	793,799	830,158	868,219	908,062		949,734
Capex Reserve				2,380,780	2,234,893	2,338,499	2,442,149	2,579,584	2,704,882	2,835,369	2,972,215	3,115,731	3,266,244		3,424,029
Total -				20,355,577	20,896,989	21,724,975	22,568,307	23,555,907	24,513,585	25,507,845	26,543,718	27,623,002	28,747,573		29,918,164
Total				20,355,577	20,896,989	21,724,975	22,568,307	23,555,907	24,513,585	25,507,845	26,543,718	27,623,002	28,747,573	242,037,476	29,918,164
NET OPERATING INCOME				45,234,819	42,462,960	44,431,481	46,400,826	49,012,098	51,392,749	53,872,019	56,472,089	59,198,890	62,058,642	510,536,573	65,055,219
ADD: Reversion Value (Resale Value)															1,275,592,532
LESS: Marketing Cost		0.00%	of Resale Value												-
Net Reversion Value															1,275,592,532
Present Worth Factor @		9.10%	discount rate	0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-	0.40072
Present Worth of Net Income				43,307,237	37,262,598	35,737,890	34,208,898	33,120,121	31,832,131	30,584,569	29,386,524	28,236,001	27,131,084	330,807,055	
Present Worth of Net Reversion Value															511,154,380
Total Present Value of Net Income						330,807,055									
Present Worth of Net Reversion Value						511,154,380									
Total						841,961,436									
On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of Php841,961,000.															
Market Value of the Building				PhP	841,961,436										
Rounded to				PhP	841,961,000										

On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of Php841,961,000.

# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

Richmonde Hotel

Located in  
**Iloilo Business Park, Barangay Santa Rosa**  
**Mandurriao District, Iloilo City**



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(632) 8631-1645

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Iloilo  
(033) 8339-0667

[www.cuervoappraisers.com.ph](http://www.cuervoappraisers.com.ph) & [info@cuervoappraisers.com.ph](mailto:info@cuervoappraisers.com.ph)

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 31 December 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **MREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

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

**Responsibility of the Valuation Professional**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

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



**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-007A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **Richmonde Hotel (building and its facilities)**, located **on the corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.



We personally inspected the property, investigated local market conditions, and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **FOUR HUNDRED THIRTY-FIVE MILLION SIXTY-ONE THOUSAND (Php435,061,000) PESOS**.

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

MPR/CMT:mfm

**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. 11-2024-1058-007A**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain property located within Iloilo Business Park, Barangay Santa Rosa, Mandurriao District, Iloilo City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on 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 on the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

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

The rights appraised in this report are the property rights in fee simple, free, and clear.

**Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

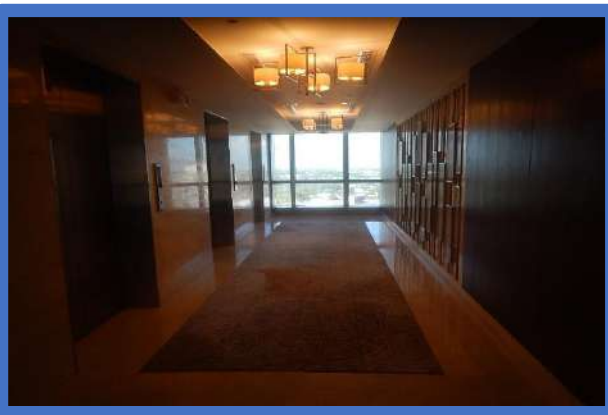
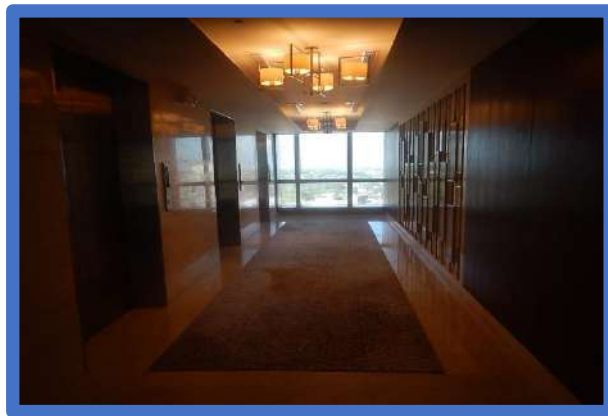
Based on the documents provided to us by the client and guided by Mr. Juwen Carnaje (client's representative), the appraised property is the **Richmonde Hotel (building and its facilities)**, located **on the north corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Barangay Santa Rosa, Mandurriao, Iloilo City**.

The property is located across Iloilo Convention Center. It is approximately 75 meters southwest from Festive Walk Mall; 400 meters southwest from the junction of Megaworld Boulevard and Aleosan Road; 1.40 kilometers southwest from the intersection of Benigno Aquino Road and Aleosan Road; and about 1.65 kilometers northwest from SM City Iloilo.

Megaworld Boulevard and Enterprise Road are 30 and 20 meters wide. Both are concreted and provided with concrete curbs and gutters, concrete sidewalks and underground drainage. Megaworld Boulevard is provided with a center island.



**RICHMONDE HOTEL**

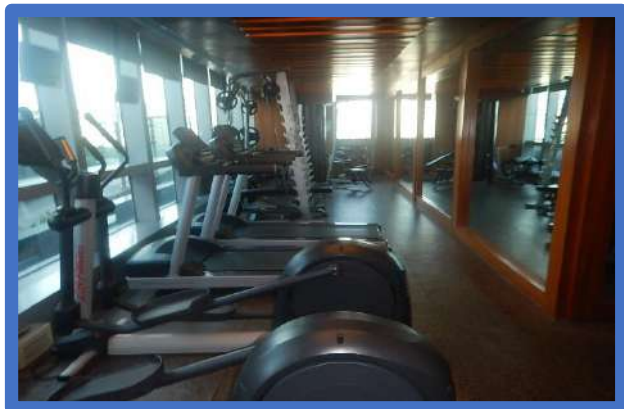


**COMMON AREAS OF RICHMONDE HOTEL**





**HALLWAYS AND FUNCTION ROOM**



**GYM AND LOBBY**



**SWIMMING POOL AND FAÇADE OF RICHMONDE BUILDING**



**VIEW OF THE PROPERTY TAKEN ALONG MEGAWORLD BOULEVARD**



**VICINITY MAP**



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### **III. NEIGHBORHOOD DATA**

Iloilo Business Park (IBP) is a 72-hectare mixed-use development located in Mandurriao, Iloilo City, Philippines. Developed by the Megaworld Corporation, it is one of the largest and most modern business districts in Western Visayas. The park is part of the larger Iloilo Business District and is strategically positioned to serve as a hub for both local and international businesses.

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

Some of the important improvements in the vicinity are:

- Iloilo Convention Center
- One Global Center
- Festive Walk Transport Hub
- Two Techno Place
- Two Global Center
- Courtyard by Marriot
- One FinTech Place

Festive Walk Mall serves the commercial, marketing, and shopping needs of the residents in the area. This is a 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 in the subject building.

Public transportation connecting to various sections of Iloilo City and its neighboring towns/cities is available along Megaworld Boulevard 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.

### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

## VI. DESCRIPTION OF THE BUILDING

### Richmonde Hotel

This is a twelve (12)-level reinforced concrete framed building having a reinforced concrete slab roof covered with waterproofing membrane; gypsum board on metal frame ceilings; cement plastered concrete hollow block with glazed tiles cover on walls and partitions; fixed tempered glass panel on powder coated frame windows; full glass on powder coated frame, wood panel and insulated steel doors; and ceramic tile and plain cement with epoxy paint finished concrete floors. The hotel rooms start on the 5<sup>th</sup> floor to the 12<sup>th</sup> floor, it has one hundred forty-nine (149) rooms consisting of six (6) premier suites, three (3) premier twins, one (1) premier king, fifty-two (52) deluxe king and eighty-seven (87) deluxe twins. It also features three function rooms (Citron, Olive, and Tamarin). The amenity area on the 7<sup>th</sup> floor has a swimming pool, shower area, bar area, function rooms, and gym. The parking area is located on the upper ground floor.

Typical interior finishes of the hotel rooms consist of gypsum board and concrete slab soffit ceilings; cement-plastered concrete hollow block on walls; double-walled fiber cement board with wallpaper cover partitions; fixed glass on powder coated frame windows; wood panels doors; marble tiles and carpeted tiles finished concrete floors.

Hallways have gypsum boards light diffuser ceilings, and partly marble tiles and carpet tiles finished floors.

The building is painted and provided with electrical lighting, telecommunication, and plumbing facilities. It is also equipped with an air conditioning system, stand-by generator set, three (3) passenger elevators, two (2) service elevators, and CCTV camera security system having a gross floor area of 13,980 square meters and gross leasable area of 6,769.14 square meters.

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
G/F	3,262	-	Hotel Lobby
Parking	-	-	
2/F	-	-	
3/F	-	-	
4/F	-	-	
5/F	2,396	1,513.18	Megaworld
6/F	2,396	1,513.18	Megaworld
7/F	1,185	748.55	Megaworld
8/F	1,185	748.55	Megaworld
9/F	1,185	748.55	Megaworld
10/F	1,185	748.55	Megaworld
11/F	1,185	748.55	Megaworld
<b>Total -</b>	<b>13,980</b>	<b>6,769.14</b>	

The building construction was completed sometime in 2015. As observed, the estimated remaining economic life of this building is 41 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 the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation, and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis, and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 6,769.14 square meters;
3. Effective gross revenues, operating expenses, and capitalization expenses were based on the 10-year cash flow given to us by the client, taking into consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using the built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method					
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP	
Below one year time deposit		=	3.493%		
Average		=	4.633%		
Less: 20% withholding tax		=	0.927%		
		=	3.707%		
Plus: Recapture rate of the building	= 1/REL of the Bldg.				
	= 1/40 yrs x 100	=	2.50%		
	<b>Cap Rate</b>	=	<b>6.207%</b>		
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)	
	<b>Discount Rate</b>	=	<b>9.107%</b>		
	<b>Say</b>	=	<b>9.10%</b>		
Note: REL - Remaining Economic Life The average of MREIT buildings is 40-year.					

6. Growth rate is estimated at 0% based on the average escalation rate.
7. The capitalization rate adopted to arrive at the terminal value is 9.10% (discount rate less growth rate); and
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.

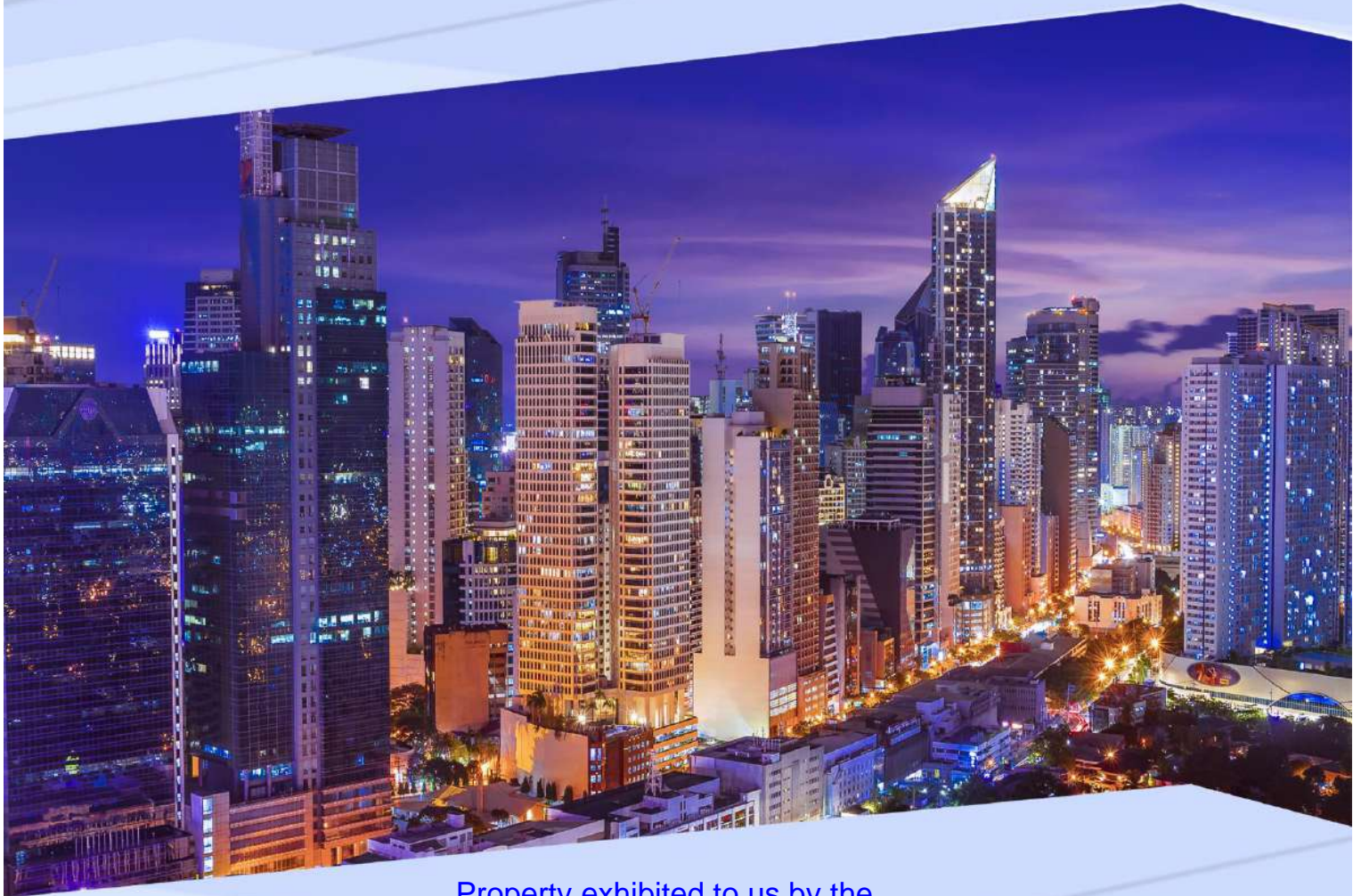
Discounted Cash Flow Analysis (in PhP) RICHMONDE HOTEL														
<b>STATISTICS</b>														
Land Leased Area														
Gross Floor Area (GFA)		13,980	sq.m.											
Gross Leasable Area (GLA)		6,769	sq.m.											
Vacancy Rate (incl. bad debts)	-		(ave)											
Terminal Capitalization Rate	9.10%													
Discount Rate	9.10%													
Present Worth Factor		0.95739		0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718		0.40072
		2025		2026	2027	2028	2029	2030	2031	2032	2033	2034		2035
<b>GROSS REVENUES</b>		Year	Escalation	1	2	3	4	5	6	7	8	9	10	Total
				0%	0%	0%	0%	0%	0%	0%	-21%	-19%	0%	11
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental -	-													
<b>Total Annual Revenues</b>														
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	of gross revenues			56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	44,500,000	36,000,000	36,000,000	36,000,000
<b>Effective Gross Revenues</b>				56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	44,500,000	36,000,000	36,000,000	511,300,000
<b>LESS EXPENSES:</b>														
<b>Cost of Services</b>														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licenses and Fees - RPT														
Taxes, Licenses and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total Cost of Services -				4,822,200	5,245,200	5,245,200	5,245,200	5,245,200	5,245,200	5,245,200	4,138,500	3,348,000	3,348,000	3,348,000
<b>Other Operating Expenses</b>	of gross revenues			564,000	564,000	564,000	564,000	564,000	564,000	564,000	445,000	360,000	360,000	360,000
<b>Capex Reserve</b>				2,550,690	2,529,540	2,529,540	2,529,540	2,529,540	2,529,540	2,529,540	1,995,825	1,614,600	1,614,600	1,614,600
Total -				7,936,890	8,338,740	8,338,740	8,338,740	8,338,740	8,338,740	8,338,740	6,579,325	5,322,600	5,322,600	5,322,600
<b>Total</b>				7,936,890	8,338,740	8,338,740	8,338,740	8,338,740	8,338,740	8,338,740	6,579,325	5,322,600	5,322,600	75,193,855
<b>NET OPERATING INCOME</b>				48,463,110	48,061,260	48,061,260	48,061,260	48,061,260	48,061,260	48,061,260	37,920,675	30,677,400	30,677,400	436,106,145
<b>ADD: Reversion Value (Resale Value)</b>														337,114,286
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													-
<b>Net Reversion Value</b>														337,114,286
Present Worth Factor @	9.10% discount rate			0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	-
<b>Present Worth of Net Income</b>				46,397,962	42,175,285	38,657,456	35,433,049	32,477,588	29,768,642	27,285,648	19,732,878	14,632,151	13,411,687	299,972,347
<b>Present Worth of Net Reversion Value</b>														135,088,157
<b>Total Present Value of Net Income</b>					299,972,347									
<b>Present Worth of Net Reversion Value</b>					135,088,157									
<b>Total</b>					435,060,504									
<b>Market Value of the Building</b>			PhP		435,060,504									
<b>Rounded to</b>			PhP		435,061,000									

On the basis of the foregoing, the market value of the property using the Discounted Cash Flow Analysis, is represented in the amount of **PhP435,061,000**.



# VALUATION REPORT

## MARKET VALUE APPRAISAL



Property exhibited to us by the  
**MREIT, INC.**

World Finance Plaza  
(a.k.a. Intellectual Property Center)

Located in  
**McKinley Hill, Fort Bonifacio**  
**Taguig City, Metro Manila**



**Cuervo Appraisers, Inc.**<sup>®</sup>  
**ASSET VALUATION SOLUTIONS**

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31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
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Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

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

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2020), 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.

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**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

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

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

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

31 December 2024

**MREIT, INC.**

30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City, Metro Manila

Attention : **MR. GIANCARLO INACAY**  
Financial Director

Thru : **MR. CHRISTIAN AIRO JARDIN**

Subject : **CAI File No. 11-2024-1058-012**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **MREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for audit/financial reporting use as of **31 December 2024**.

The appraised property is the **World Finance Plaza (building and its facilities)**, located at **No. 28 Upper McKinley Road, McKinley Hill, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The term **Market Value**, as used herein, is defined as:

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

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

In the market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of a building only, this report pertaining to the said item, therefore, partakes in the nature of a fractional appraisal and is rendered as such.

We personally inspected the property, investigated local market conditions and gave consideration to the --

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

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION EIGHT HUNDRED FIFTEEN MILLION TWO HUNDRED SEVENTY-ONE THOUSAND (Php2,815,271,000) PESOS.**

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

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

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**CAI File No. 11-2024-1058-012**

**LIMITING CONDITIONS**

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

**CAI File No. 11-2024-1058-012**

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## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Fort Bonifacio, Taguig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

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

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

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

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

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the **World Finance Plaza, a.k.a. Intellectual Property Center (building and its facilities)**, located at **No. 28 Upper McKinley Road, Mckinley Hill, Fort Bonifacio, Taguig City, Metropolitan Manila**.

The site of World Finance Plaza is bounded by McKinley Park Road and Upper McKinley Road on the north, northeast and south. It is adjacent to Venice Grand Canal Mall approximately 500 meters southwest from the intersection of Lawton Avenue, Upper MacKinley Road and McWest Boulevard; 1.700 kilometer southeast of McKinley Road; 2.50 kilometers southeast from Manila Polo Club Drive; and about 3.80 kilometers southeast of EDSA and Ayala Avenue (One Ayala).

Upper McKinley Road is 20 meters wide, concrete paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.



**WORLD FINANCE PLAZA**  
a.k.a. Intellectual Property Center





**Vicinity Map**

### **III. NEIGHBORHOOD DATA**

McKinley Hill is an integrated urban township on 50 hectares of land inside Fort Bonifacio, a former military camp in Taguig City. It is a dominantly Italian-themed sustainable community that seamlessly integrates residential, office, commercial and retail, sports and recreation, as well as institutional components into a mini-city. Among the Sponsor's townships in Metro Manila, McKinley Hill offers the widest choices for residential properties, offering subdivision lots in its exclusive McKinley Hill Village, villa-type enclaves, gated condominium clusters, and high-rise condominium towers. The township has also been known for its rows of campus-type office buildings that are all accredited as PEZA special economic zones for information technology, resembling those in Silicon Valley. Companies that occupy most of the office properties in McKinley Hill are largely into software development, data encoding and conversion, customer service, call centers, system integrations, as well as IT and computer system support.

At the heart of McKinley Hill is the Venice Piazza and the Venice Grand Canal Mall, highlighted by its man-made version of the famous Venice waterways and the Ponte Rialto Bridge. The mall allows shoppers and visitors to ride the gondolas steered by singing gondoliers, an attraction that has earned it the title of the "most romantic mall in the Philippines." On both sides of the canal are restaurants and bars, and multi-level verandas that offer mall-goers picturesque views of the entire waterway. In 2017, the mall was awarded the "Best Retail Architectural Design" during the Philippines Property Awards.



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

Some of the important improvements in the vicinity are:

- The Albany Luxury Residences
- McKinley Village
- Upper McKinley Hill
- Dasmariñas Village
- Forbes Park
- Bonifacio Global City
- Manila Polo Club
- Manila Golf and Country Club
- Manila American Cemetery and Memorial

Venice Grand Canal Mall, SM Aura Premier, Market! Market! and various commercials in Ayla Center serve the commercial, marketing and shopping needs of the residents in the area. These are accessible from Lawton Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City and its neighboring towns/cities is available along Epifanio delos Santos Avenue which is approximately 3.80 kilometers from EDSA. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

#### **V. LAND DATA**

No copy of the title or any land ownership document was given to us.

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

#### **VI. DESCRIPTION OF THE BUILDING**

##### **WORLD FINANCE PLAZA a.k.a. as Intellectual Property Center**

This is a fifteen(15) storey reinforced concrete frame office building having waterproof reinforced concrete roof deck; concrete slab soffit, gypsum board with moldings and gypsum board on aluminum t-runner ceilings; cement plastered concrete hollow block and glass curtain walls; cement plastered concrete hollow block, glass on aluminum frame and gypsum board on steel stud partitions; fixed

and sliding glass panel on aluminum frame windows; stainless steel stairway handrails; full glass on aluminum frame, laminated wood panel, steel roll-up, steel grill and insulated steel doors; and slab ceramic tile, vinyl tile and tiled carpet floors.

This is painted and provided with lighting, plumbing and telecommunication facilities. Also equipped of VRP type air conditioning system, stand-by genset, passenger's elevators and CCTV camera security system having gross floor area 27,657.96 and gross leasable area of 25,067.45-square meters, as allocated as follows:

Floor Level	Gross Floor Area (sq.m.)	Gross Leasable Area (sq.m.)	Occupancy
Ground	783.33	709.96	Intellectual Property Office of the Philippines
Second	1,483.43	1,344.49	Intellectual Property Office of the Philippines
Third	2,022.43	1,833.00	Megaworld
Fourth	1,987.12	1,801.00	TELRCOM Solutions, Inc.
Fifth	1,987.12	1,801.00	Megaworld
Sixth	1,987.12	1,801.00	Megaworld
Seventh	1,987.12	1,801.00	Megaworld
Eight	1,987.12	1,801.00	Megaworld
Ninth	1,987.12	1,801.00	Megaworld
Tenth	1,987.12	1,801.00	DXC Technology
Eleventh	1,987.12	1,801.00	DXC Technology
Twelfth	1,987.12	1,801.00	DXC Technology
Thirteenth	-	-	-
Fourteenth	1,987.12	1,801.00	Intellectual Property Office of the Philippines
Fifteenth	1,748.80	1,585.00	Megaworld
Sixteenth	<u>1,748.80</u>	<u>1,585.00</u>	Intellectual Property Office of the Philippines
Roof Deck	-		
<b>Total -</b>	<b>27,657.96</b>	<b>25,067.45</b>	

The building construction was completed sometime in 2010. As observed, the remaining economic life of this building is about 36 years.

## **VII. HIGHEST AND BEST USE**

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

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

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancies and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of

the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimations:

1. Cash Flow is projected over a 10-year period;
2. Gross Leasable Area is 25,067.45-square meter;
3. Effective gross revenues, operating expenses and capitalization expenses were based on the 10-year cash flow given to us by the client, taking consideration the historical data and the existing lease contracts of the tenants;
4. Estimation of the present worth of the projected net income. Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [FV_t / (1 + i)^t] - I_0$$

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

5. Discount rate is estimated at 9.10%, using built-up method, the computation is shown as under;

Derivation of Discount Rate using Built-up Method				
91-day treasury bill rate		=	5.774%	auction date: 09 December 2024 Peso Deposit December 19-25, 2024 BSP
Below one year time deposit		=	3.493%	
Average		=	4.633%	
Less: 20% withholding tax		=	0.927%	
		=	3.707%	
Plus: Recapture rate of the building	= 1/REL of the Bldg.			
	= 1/40 yrs x 100	=	2.50%	
	<b>Cap Rate</b>	=	<b>6.207%</b>	
Plus: Inflation Rate		=	2.90%	inflation rate for December 2024 (PSA)
	<b>Discount Rate</b>	=	<b>9.107%</b>	
	<b>Say</b>	=	<b>9.10%</b>	
Note: REL - Remaining Economic Life				
The average of MREIT buildings is 40-year.				

6. Growth rate is estimate at 3% based on the average escalation rate.
7. Capitalization rate adopted to arrive at the terminal value is 6.10% (discount rate less average growth rate of gross revenue);
8. Marketing Cost is pegged at 0% of resale value, MREIT has no intention of selling this property at the end of 10<sup>th</sup> year.



Discounted Cash Flow Analysis (in PhP)														
WORLD FINANCE PLAZA a.k.a. Intellectual Property Center														
STATISTICS														
Land Area		-	sq.m.											
Gross Floor Area		27,657.96	sq.m.											
Gross Leasable Area		25,067.45	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		6.10%												
Discount Rate		9.10%												
Present Worth Factor				0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES		Escalation			-1.12%	4.91%	1.95%	3.31%	2.80%	4.54%	3.45%	3.49%	3.53%	3.53%
Rental Income														
Rental Income - PAS Adjustment														
Rental Income - deferred credits amortization														
Rental Income - penalties														
Income from dues - net														
Total Annual Gross Rental														
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues												
				239,611,455	236,931,220	248,569,978	253,427,750	261,813,866	269,135,151	281,357,597	291,063,424	301,227,137	311,870,670	322,890,281
Effective Gross Revenues				239,611,455	236,931,220	248,569,978	253,427,750	261,813,866	269,135,151	281,357,597	291,063,424	301,227,137	311,870,670	322,890,281
LESS EXPENSES:														
Cost of Services														
Outside Services														
Management Fees - FM														
Management Fees - PM														
Land Lease														
Utilities														
Taxes, Licences and Fees - RPT														
Taxes, Licences and Fees - Others														
Repairs and Maintenance														
Supplies and Materials														
Miscellaneous														
Total of Cost of Services -				54,810,540	58,028,948	60,438,078	62,119,245	64,238,743	66,278,930	68,915,400	71,311,428	73,804,672	76,399,201	79,273,451
Other Operating Expenses				2,396,115	2,369,312	2,485,700	2,534,277	2,618,139	2,691,352	2,813,576	2,910,634	3,012,271	3,118,707	3,228,903
Capex Reserve				9,120,240	8,826,648	9,282,310	9,438,711	9,747,849	10,008,243	10,481,431	10,842,068	11,220,510	11,617,638	12,050,412
Total -				66,326,894	69,224,909	72,206,088	74,092,234	76,604,731	78,978,525	82,210,407	85,064,130	88,037,453	91,135,546	94,552,766
NET OPERATING INCOME				173,284,560	167,706,311	176,363,890	179,335,516	185,209,135	190,156,625	199,147,190	205,999,294	213,189,684	220,735,124	228,337,514
ADD: Reversion Value (Resale Value)														3,743,237,939.74
LESS: Marketing Cost		0.0% of Resale Value												-
Net Reversion Value														3,743,237,940
Present Worth Factor @		9.1% discount rate		0.95739	0.87753	0.80434	0.73725	0.67575	0.61939	0.56773	0.52037	0.47697	0.43718	0.41855
Present Worth of Net Income				165,900,423	147,167,625	141,856,027	132,214,680	125,155,813	117,781,026	113,061,126	107,196,376	101,684,746	96,502,000	1,248,519,841
Present Worth of Net Reversion Value														1,566,750,811
Total Present Value of Net Income					1,248,519,841									
Present Worth of Net Reversion Value					1,566,750,811									
Total					2,815,270,652									
Market Value of Property (Building and its facilities)			PhP		2,815,270,652									
Rounded to			PhP		2,815,271,000									

On the basis of the foregoing, the market value of the property (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of PhP2,815,271,000.

## Disclosures for REIT Companies<sup>1</sup>

### (a) Real Estate Transactions for Q4 2024

There were no real estate transactions in the fourth quarter of 2024.

### (b) Schedule of Properties as of 31 December 2025

Property and Location	Purchase Price	Latest Appraisal*	Remaining Land Lease Term	Gross leasable area (GLA)	Leased Area	Occupancy Rate	Rental Income	Gross Revenue	Cost of Services	Gross Profit
	in Php millions	in Php millions	Years	in sqm	in sqm	%	in Php millions	in Php millions	in Php millions	in Php millions
<b>Eastwood, Quezon City</b>										
1800 Eastwood Avenue	6,948	6,629	46.25	34,738	34,719	100%	359.3	489.7	107.9	381.7
1880 Eastwood Avenue	6,749	5,813	46.25	33,745	33,448	99%	318.4	443.0	96.5	346.5
E-Commerce Plaza	4,188	3,525	46.25	21,032	21,032	100%	202.6	248.9	48.3	200.5
<b>McKinley Hill, Taguig</b>										
One World Square	7,529	5,123	46.25	30,482	22,095	72%	294.5	362.8	76.8	286.0
Two World Square	5,258	5,452	46.25	21,286	21,282	100%	267.8	367.7	82.0	285.6
Three World Square	5,241	4,448	46.25	21,222	19,712	93%	230.1	328.8	74.9	253.8
8/10 Upper McKinley	4,925	4,249	46.25	19,938	17,483	88%	248.5	299.8	50.2	249.6
18/20 Upper McKinley	4,795	4,330	46.25	19,413	15,953	82%	212.6	253.5	42.3	211.3
World Finance Plaza	5,153	2,815	47.67	25,067	17,800	71%	290.1	331.8	75.0	256.8
<b>McKinley West, Taguig</b>										
One West Campus	1,473	1,587	47.75	9,704	9,704	100%	81.8	105.0	20.5	84.5
Five West Campus	1,001	1,960	47.75	10,257	10,257	100%	92.7	117.0	22.0	94.9
Two West Campus	825	1,398	49.42	9,332	9,332	100%	19.3	24.8	5.4	19.3
Ten West Campus	3,250	5,367	49.42	36,277	25,046	69%	67.6	81.8	13.1	68.8
One Le Grand	4,354	6,378	49.42	48,292	45,331	94%	108.3	144.9	32.3	112.6
<b>Iloilo Business Park, Iloilo</b>										
Richmonde Tower	2,062	1,277	46.25	13,124	12,396	94%	109.3	123.8	27.4	96.3
One Techno Place	1,509	1,103	46.25	9,549	9,330	98%	63.3	90.1	22.4	67.7
Two Techno Place	1,465	1,128	47.67	11,393	9,061	80%	65.8	94.6	26.4	68.2
Three Techno Place	1,242	1,354	47.67	9,568	9,392	98%	68.5	95.2	17.2	77.9
One Global Center	1,256	1,443	47.67	10,301	9,903	96%	71.0	100.2	27.0	73.2
Festive Walk 1B	1,507	1,965	47.75	14,703	13,687	93%	106.3	141.1	40.9	100.2
Two Global Center	1,293	1,530	47.75	9,903	9,903	100%	77.5	111.3	23.7	87.7
One Fintech Place	1,589	2,491	49.42	18,088	17,681	98%	39.4	56.4	17.4	39.0
Two Fintech Place	1,638	2,165	49.42	18,053	15,011	83%	31.9	49.4	16.9	32.4
<b>Davao Park, Davao City</b>										
Davao Finance Center	1,496	2,731	49.42	26,074	25,986	100%	37.6	51.9	11.5	40.4
<b>Total</b>	<b>76,744</b>	<b>76,260</b>		<b>481,542</b>	<b>435,546</b>	<b>90%</b>	<b>3,464</b>	<b>4,513</b>	<b>978</b>	<b>3,535</b>

<sup>1</sup> Pursuant to Section 6.2 of the Amended Listing Rules for REITs

\* The latest appraisal valuation for MREIT properties, dated December 31, 2024, aligns with the reports issued by Cuervo Appraisers. All properties were appraised using the Income Approach method.

(c) Reinvestment Plan Progress Report as of 31 December 2024

Relevant Transaction	Date of Reinvestment Plan	Amount of Funds for Reinvestment	Estimated Date of Full Compliance
Block Sale by Megaworld Corporation of 40,650,000 Common Shares of MREIT, Inc. on 18 April 2024	22 April 2024	Php496 million	Q1 2025
Sale by Megaworld Corporation of 79,700,000 Common Shares of MREIT, Inc. on 03 June 2024	05 June 2024	Php973 million	Q1 2025

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**MREIT, Inc.**  
**MREIT**

**PSE Disclosure Form REIT-2 - Reinvestment Plan Progress Report**  
***Reference: Section 6 of the Amended PSE Listing Rules for REITS***

- Annual Report
- Quarterly Report

Subject of the Disclosure
Quarterly Progress Report for the quarter ended 31 December 2024 on the application of proceeds from the Block Sale of 40,650,000 Common Shares of MREIT, Inc. (MREIT), pursuant to the Reinvestment Plan of Megaworld Corporation (Megaworld), as Sponsor of MREIT.
Background/Description of the Disclosure
Progress Report on the application of proceeds for the quarter ended 31 December 2024, in relation to the Reinvestment Plan submitted by Megaworld in connection with the sale of 40,650,000 common shares of MREIT, duly certified by external auditors.
Update or Status of the Reinvestment Plan
As of December 31, 2024, the remaining balance of the proceeds from the block sale amounts to One Hundred Five Million One Hundred Forty Eight Thousand Three Hundred Eighty Eight Pesos and Forty Seven Centavos (Php105,148,388.47).
Summary of Transactions Involving Real Estate and/or Infrastructure Projects for the Period

The following disbursements for the Reinvestment Plan were made for the period covering 01 October 2024 to 31 December 2024:

Project Name: The Mactan Newtown  
Disbursing Entity: Megaworld Oceantown Properties, Inc.  
Total: Php30,000,000.00

Project Name: ArcoVia City  
Disbursing Entity: Arcovia Properties, Inc.  
Total: Php34,000,000.00

Project Name: Bacolod Projects  
Disbursing Entity: Megaworld Bacolod Properties, Inc.  
Total: Php57,000,000.00

#### Description of Real Estate Assets and/or Infrastructure Projects for the Period

The Mactan Newtown - Malls, Offices, Land Development, and other developments in Cebu  
ArcoVia City - Malls, Offices, Land Development, and other developments in Pasig  
Bacolod Projects - Malls, Offices, Land Development, and other developments in Bacolod

#### Other Relevant Information

Please see attached file.

#### Filed on behalf by:

Name	Joyce Alviar
Designation	Legal Counsel

# COVER SHEET

SEC Registration Number

C	S	2	0	2	0	5	2	2	9	4
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**Company Name**

[illegible]

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

1	8	/	F	,		A	L	L	I	A	N	C	E		G	L	O	B	A	L		T	O	W	E	R	,			
3	6	T	H		S	T	.	,		C	O	R	.		1	1	T	H		A	V	E	.	,						
U	P	T	O	W	N		B	O	N	I	F	A	C	I	O	,		T	A	G	U	I	G		C	I	T	Y		

MARIA CARLA T. UYKIM

Contact Person

(632) 8894-6300/6400

Company Telephone Number

Month

Day

Fiscal Year

Month      Day

Month

Day

Annual Meeting

[illegible]

Form Type	Form Number	Form Description
Form 1	100-1	Form 100-1
Form 2	100-2	Form 100-2
Form 3	100-3	Form 100-3
Form 4	100-4	Form 100-4
Form 5	100-5	Form 100-5
Form 6	100-6	Form 100-6
Form 7	100-7	Form 100-7
Form 8	100-8	Form 100-8
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Form 11	100-11	Form 100-11
Form 12	100-12	Form 100-12
Form 13	100-13	Form 100-13
Form 14	100-14	Form 100-14
Form 15	100-15	Form 100-15
Form 16	100-16	Form 100-16
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Form 22	100-22	Form 100-22
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Form 24	100-24	Form 100-24
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Form 29	100-29	Form 100-29
Form 30	100-30	Form 100-30
Form 31	100-31	Form 100-31
Form 32	100-32	Form 100-32
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Form 34	100-34	Form 100-34
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Form 86	100-86	Form 100-86
Form 87	100-87	Form 100-87
Form 88	100-88	Form 100-88
Form 89	100-89	Form 100-89
Form 90	100-90	Form 100-90
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Form 92	100-92	Form 100-92
Form 93	100-93	Form 100-93
Form 94	100-94	Form 100-94
Form 95	100-95	Form 100-9

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Dept. Requiring this Doc.

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Amended Articles Number/Section

Total Amount of Borrowings

□ □ □ □ □

Total No. of Stockholders

\_\_\_\_\_

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purpose



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-C  
CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2 (c) THEREUNDER**

1. **15 January 2025**  
Date of Report
2. SEC Identification Number: **CS202052294**    3. BIR Tax Identification No: **502-228-971-000**
4. **MREIT, INC.**  
Exact name of Issuer as specified in its charter
5. **Metro Manila**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **18th Floor, Alliance Global Tower, 36th Street corner 11th Avenue  
Uptown Bonifacio, Taguig City 1634**  
Address of principal office
8. **(632) 8894-6300/6400**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Stock Outstanding</u>
Common	3,721,983,381 <sup>1</sup>
Preferred	0
<b>Total</b>	<b>3,721,983,381<sup>1</sup></b>

10. **Item 9(b)**

Please see the attached 4<sup>th</sup> Quarter 2024 Progress Report on the Use of Proceeds from the Block Sale of 40,650,000 common shares of MREIT, Inc. which was settled on April 22, 2024.

**SIGNATURE**

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

**MREIT, INC.**  
Issuer

By:

**MARIA CARLA T. UYKIM**  
*Corporate Secretary*  
15 January 2025

<sup>1</sup> As of 19 November 2024, MREIT, Inc. has a total of 3,721,983,381 common shares issued and outstanding. 2,795,821,381 common shares are listed in the Philippines Stock Exchange, while the 926,162,000 common shares issued on 19 November 2024 are pending listing with the Exchange.



## MEGAWORLD CORPORATION

30th Floor, Alliance Global Tower, 36th Street Corner 11th Avenue, Uptown Bonifacio, Fort Bonifacio, Taguig City, NCR, Fourth District Philippines 1630  
Tels (632) 88946300 / 79052800 • www.megaworldcorp.com • Email customerservice@megaworldcorp.com

January 14, 2025

### THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza  
6th Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: **MS. STEFANIE ANN B. GO**  
Officer-In-Charge, Disclosure Department

Subject: 4th Quarter 2024 Progress Report on the Use of Proceeds from the Block Sale of  
40,650,000 common shares of MREIT, Inc. (MREIT)

Dear Ms. Go,

We hereby submit our Progress Report on the Use of Proceeds for the quarter ending December 31, 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

The proceeds were generated from the Block Sale of 40,650,000 common shares of MREIT, Inc. settled on April 22, 2024, at an offer price of Php12.30 per share, resulting in net proceeds of Php496,148,388.47.

Please be advised that as of December 31, 2024, the remaining balance of the proceeds from the block sale amounts to One Hundred Five Million One Hundred Forty Eight Thousand Three Hundred Eighty Eight Pesos and Forty Seven Centavos (Php105,148,388.47) as indicated below:

Net Proceeds from the Block Sale	496,148,388.47
less:	
Disbursement from Apr. 22 to Jun. 30, 2024	140,000,000.00
Disbursement from Jul. 1 to Sep. 30, 2024	130,000,000.00
Disbursement from Oct. 1 to Dec. 31, 2024 (Annex A)	121,000,000.00
Balance of Proceeds from the Block Sale as of Dec. 31, 2024	105,148,388.47

Respectfully yours,

  
FRANCISCO C. CANUTO  
Treasurer



ANNEX A: Disbursements from the Proceeds of the Block Sale for the period covering October 01 to December 31, 2024

	Project Name	Township/ Location	Investment Type	Product	Disbursement	Disbursing Entity
1	The Mactan Newtown	Cebu City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	30,000,000.00	Megaworld Oceantown Properties, Inc
2	ArcoVia City	Pasig City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	34,000,000.00	ArcoVia Properties, Inc
3	Bacolod Projects	Bacolod City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	57,000,000.00	Megaworld Bacolod Properties, Inc
	<b>TOTAL</b>			<b>PHP</b>	<b>121,000,000.00</b>	



## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)  
\_\_\_\_\_  
METRO MANILA) SS

At \_\_\_\_\_ City, Metro Manila, on this 14th day of January 2025, before me personally appeared:

Name	Competent Evidence of Identity	Date and Place Issued
For and on behalf of MEGAWORLD CORPORATION:  FRANCISCO C. CANUTO	  SSS ID No. 035188143-1	

who made known and represented to me that they are the same persons who executed the foregoing report including the Annex A and this page on which this Acknowledgment is written, and are signed by the parties hereto, and acknowledged to me that the same is their free and voluntary act and deed as well as of the entities respectively represented by them.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 14th day of January 2025.

NOTARY PUBLIC



**ATTY. MIKHAIL JUDE AMANDO R. FABIO III**

NOTARY PUBLIC FOR AND IN MAKATI CITY

APPOINTMENT NO. M 326 VALID UNTIL DECEMBER 31, 2025

PTR No. MKT 10471129 / 01-06-25 / MAKATI CITY

IBP No. 501098 01-07-2025 Roll No. 81066

MGLE Compliance No. VIII-0008160 April 14, 2025

VALID UNTIL APRIL 14, 2028

Doc. No. 925  
Page No. 86  
Book No. 32;  
Series of 2025

## **Report of Independent Auditors on Factual Findings**

### **The Board of Directors and Stockholders**

#### **Megaworld Corporation**

30th Floor, Alliance Global Tower  
36th Street cor. 11th Avenue  
Uptown Bonifacio, Taguig City

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report (the Report) for the quarter ended December 31, 2024 on the application of proceeds received by Megaworld Corporation (the Company) from the block sale of 40,650,000 common shares of MREIT, Inc. (MREIT) which was settled on April 22, 2024, with the offer price of P12.30 per share (the Block Sale), resulting in a net proceeds estimated at no greater than P500.00 million (the Block Sale Proceeds). The procedures were performed solely to enable the Company to comply with the requirement of the Philippine Stock Exchange (PSE) to submit the Report accompanied by an external auditor's report. Our engagement was undertaken and our report is issued in accordance with Philippine Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*.

### **Agreed-upon Procedures**

The procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:
  - a) The Report;
  - b) Schedule of planned application of proceeds from the Block Sale; and,
  - c) Detailed schedule of utilization of proceeds for the quarter ended December 31, 2024.
2. Compared the total amount of utilization appearing in the Report with the detailed schedule of utilization of proceeds.
3. Compared the schedule of planned application of the Block Sale Proceeds to the Reinvestment Plan. Inquired with the Company's management of the reason for the difference, if any, and requested a copy of the approval by the Board of Directors (BOD) and the PSE, as appropriate, i.e., if it involved reallocation or change in the use of proceeds.

4. Traced to and examined supporting documents such as acknowledgement receipts and approved payment endorsement documents, of disbursements in the detailed schedule of utilization of proceeds and traced the total amount of disbursements per category to the Report.

#### Results of the Performance of Agreed-Upon Procedures

1. With respect to item 1, we noted no exceptions on the mathematical accuracy of the Report and schedules.

We present below the summary of the application of the proceeds from the Block Sale for the quarter ended December 31, 2024, based on the information we obtained from the Company.

<u>Project Name</u>	<u>Township or Location</u>	<u>Products</u>	<u>Disbursing Entity</u>	<u>Amount</u>
Bacolod Projects	Bacolod	Malls, Offices, Land Development, and Other Developments	Megaworld Bacolod Properties, Inc.	P 57,000,000
ArcoVia City	Pasig	Malls, Offices, Land Development, and Other Developments	ArcoVia Properties, Inc.	34,000,000
The Mactan Newtown	Cebu	Malls, Offices, Land Development, and Other Developments	Megaworld Oceantown Properties, Inc.	<u>30,000,000</u>
				<b><u>P 121,000,000</u></b>

2. With respect to item 2, we noted that the total amount of utilization appearing in the Report is in agreement with the amount in the detailed schedule of utilization of proceeds.
3. With respect to item 3, we noted that the planned application of the Block Sale Proceeds is in agreement with the Reinvestment Plan dated April 22, 2024.
4. With respect to item 4, we traced the utilization of the Block Sale Proceeds for the quarter ended December 31, 2024 to supporting acknowledgment receipts and approved payment endorsement documents.



We noted that the Company granted advances to the following disbursing entities to be used in the projects specified:

Disbursing Entity	Project Name	Township or Location	Amount
Megaworld Bacolod Properties, Inc.	Bacolod Projects	Bacolod	P 57,000,000
ArcoVia Properties, Inc.	ArcoVia City	Pasig	34,000,000
Megaworld Oceantown Properties, Inc.	The Mactan Newtown	Cebu	30,000,000
			<b>P 121,000,000</b>

We traced the cash advances granted by the Company to the acknowledgement receipts issued by the entities. Moreover, we agreed the amounts presented in the Report to the accounting records of the Company.

Because the foregoing procedures do not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), respectively, we do not express an assurance on the use of the Block Sale Proceeds based on the said standards. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

**PUNONGBAYAN & ARAULLO**



By: **John Endel S. Mata**  
Partner

CPA Reg. No. 0121347

TIN 257-622-627

PTR No. 10465907, January 2, 2025, Makati City

BIR AN 08-002551-040-2023 (until January 24, 2026)

BOA/PRC Cert. of Reg. No. 0002/P-012 (until August 12, 2027)

SUBSCRIBED AND SWORN to before me this JAN 13 2025  
at Makati City, Philippines. Affiant exhibited to me his/her  
competent ID # \_\_\_\_\_ valid until January 10, 2025

**MA. ESMERALDA R. CUNANAN**

Notary Public for and in Makati City

Until December 31, 2025

Appt. No. M-013 (2024-2025) Makati City

Attorney's Roll No. 34562

MCLE Compliance No. Vili 0003662/valid until 4-14-2028

PTR No. 10467303/1 2. 2025/Makati City

IBP Lifetime Member No. 05413

G/R Dela Rosa Carpark I, Dela Rosa St.

Legaspi Village, Makati City

DOC. NO. 332  
PAGE NO. 68  
BOOK NO. IV  
SERIES OF 2025

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**MREIT, Inc.**  
**MREIT**

**PSE Disclosure Form REIT-2 - Reinvestment Plan Progress Report**  
***Reference: Section 6 of the Amended PSE Listing Rules for REITS***

Annual Report  
Quarterly Report

Subject of the Disclosure
Quarterly Progress Report for the quarter ended December 31, 2024 on the application of proceeds from the Sale of 79,700,000 Common Shares of MREIT, Inc. (MREIT), pursuant to the Reinvestment Plan of Megaworld Corporation (Megaworld), as Sponsor of MREIT
Background/Description of the Disclosure
Progress Report on the application of proceeds for the quarter ended December 31, 2024 in relation to the Reinvestment Plan submitted by Megaworld in connection with the sale of 79,700,000 common shares of MREIT, duly certified by external auditors.
Update or Status of the Reinvestment Plan
As of December 31, 2024, the remaining balance of the proceeds from the sale amounts to Fifty Three Million Seven Thousand Six Hundred Twenty Five Pesos and Eighty Centavos (Php53,007,625.80)
Summary of Transactions Involving Real Estate and/or Infrastructure Projects for the Period

The following disbursements for the Reinvestment Plan were made for the period covering 01 October 2024 to 31 December 2024:

Project Name: Northwin Global City  
Disbursing Entity: Northwin Properties, Inc.  
Total: Php785,000,000.00

Project Name: The Mactan Newtown  
Disbursing Entity: Megaworld Oceantown Properties, Inc.  
Total: Php15,000,000.00

Project Name: ArcoVia City  
Disbursing Entity: Arcovia Properties, Inc.  
Total: Php12,000,000.00

Project Name: Bacolod Projects  
Disbursing Entity: Megaworld Bacolod Properties, Inc.  
Total: Php8,000,000.00

#### Description of Real Estate Assets and/or Infrastructure Projects for the Period

Northwin Global City - Malls, Offices, Land Development and other developments  
The Mactan Newtown - Malls, Offices, Land Development, and other developments in Cebu  
ArcoVia City - Malls, Offices, Land Development, and other developments in Pasig  
Bacolod Projects - Malls, Offices, Land Development, and other developments in Bacolod

#### Other Relevant Information

Please see attached file.

#### Filed on behalf by:

Name	Joyce Alviar
Designation	Legal Counsel

# COVER SHEET

SEC Registration Number

C	S	2	0	2	0	5	2	2	9	4
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**Company Name**

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

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MARIA CARLA T. UYKIM

Contact Person

**(632) 8894-6300/6400**

Company Telephone Number

Month

Day

Fiscal Year

Month      Day

Month

Day

Annual Meeting

[illegible]

Form Type
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[illegible]

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Amended Articles Number/Section

Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel Concerned

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File Number

LCU

LCU

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Document I.D.

Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-C  
CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2 (c) THEREUNDER**

1. **15 January 2025**  
Date of Report
2. SEC Identification Number: **CS202052294**    3. BIR Tax Identification No: **502-228-971-000**
4. **MREIT, INC.**  
Exact name of Issuer as specified in its charter
5. **Metro Manila**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **18th Floor, Alliance Global Tower, 36th Street corner 11th Avenue  
Uptown Bonifacio, Taguig City 1634**  
Address of principal office
8. **(632) 8894-6300/6400**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Stock Outstanding</u>
Common	3,721,983,381 <sup>1</sup>
Preferred	0
<b>Total</b>	<b>3,721,983,381<sup>1</sup></b>

10. **Item 9(b)**

Please see the attached 4<sup>th</sup> Quarter 2024 Progress Report on the Use of Proceeds from the Block Sale of 79,700,000 common shares of MREIT, Inc. which was settled on June 5, 2024.

**SIGNATURE**

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

**MREIT, INC.**  
Issuer

By:

**MARIA CARLA T. UYKIM**  
*Corporate Secretary*  
15 January 2025

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<sup>1</sup> As of 19 November 2024, MREIT, Inc. has a total of 3,721,983,381 common shares issued and outstanding. 2,795,821,381 common shares are listed in the Philippines Stock Exchange, while the 926,162,000 common shares issued on 19 November 2024 are pending listing with the Exchange.





## MEGAWORLD CORPORATION

30th Floor, Alliance Global Tower, 36th Street Corner 11th Avenue, Uptown Bonifacio, Fort Bonifacio, Taguig City, NCR, Fourth District Philippines 1630  
Tels (632) 88946300 / 79052800 • www.megaworldcorp.com • Email customerservice@megaworldcorp.com

January 14, 2025

### THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza  
6th Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: **MS. STEFANIE ANN B. GO**  
Officer-In-Charge, Disclosure Department

Subject: 4th Quarter 2024 Progress Report on the Use of Proceeds from the Sale of  
79,700,000 common shares of MREIT, Inc. (MREIT)

Dear Ms. Go,

We hereby submit our Progress Report on the Use of Proceeds for the quarter ending December 31, 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

The proceeds were generated from the Sale of 79,700,000 common shares of MREIT, Inc. settled on June 05, 2024, with an average sale price of Php12.3001 per share, resulting in net proceeds of Php973,007,625.80.

Please be advised that as of December 31, 2024, the remaining balance of the proceeds from the sale amounts to Fifty Three Million Seven Thousand Six Hundred Twenty Five Pesos and Eighty Centavos (Php53,007,625.80) as indicated below:

Net Proceeds from the Block Sale	973,007,625.80
less:	
Disbursement from Jun. 05 to Jun. 30, 2024	45,000,000.00
Disbursement from Jul. 1 to Sep. 30, 2024	55,000,000.00
Disbursement from Oct. 1 to Dec. 31, 2024 (Annex A)	820,000,000.00
Balance of Proceeds from the Block Sale as of Dec. 31, 2024	53,007,625.80

Thank you.

Respectfully yours,

  
FRANCISCO C. CANUTO  
Treasurer





ANNEX A: Disbursements from the Proceeds of the Sale for the period covering October 01 to December 31, 2024

	Project Name	Township/ Location	Investment Type	Product	Disbursement	Disbursing Entity
1	Northwin Global City	Bulacan	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	785,000,000.00	Northwin Properties, Inc.
2	The Mactan Newtown	Cebu City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	15,000,000.00	Megaworld Oceantown Properties, Inc
3	ArcoVia City	Pasig City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	12,000,000.00	ArcoVia Properties, Inc
4	Bacolod Projects	Bacolod City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	8,000,000.00	Megaworld Bacolod Properties, Inc
	<b>TOTAL</b>			<b>PHP</b>	<b>820,000,000.00</b>	

## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)  
\_\_\_\_\_, METRO MANILA) SS

At \_\_\_\_\_ City, Metro Manila, on this 14th day of January 2025, before me personally appeared:

Name	Competent Evidence of Identity	Date and Place Issued
For and on behalf of MEGAWORLD CORPORATION:  FRANCISCO C. CANUTO	  SSS ID No. 035188143-1	

who made known and represented to me that they are the same persons who executed the foregoing report including the Annex A and this page on which this Acknowledgment is written, and are signed by the parties hereto, and acknowledged to me that the same is their free and voluntary act and deed as well as of the entities respectively represented by them.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 14th day of January 2025.

NOTARY PUBLIC

Doc. No. 426  
Page No. 87  
Book No. 32  
Series of 2025.

  
**ATTY. MIKHAEL JUDE AMANDO R. FABIO III**  
NOTARY PUBLIC FOR AND IN MAKATI CITY  
APPOINTMENT NO. M 326 VALID UNTIL DECEMBER 31, 2025  
PTR No. MKT 10471129 / 01-06-25 / MAKATI CITY  
IBP No. 501098 01-07-2025 Roll No. 81066  
MCLC Compliance No. VIII-0008160 April 14, 2025  
VALID UNTIL APRIL 14, 2028

## **Report of Independent Auditors on Factual Findings**

### **The Board of Directors and Stockholders**

#### **Megaworld Corporation**

30th Floor, Alliance Global Tower  
36th Street cor. 11th Avenue  
Uptown Bonifacio, Taguig City

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report (the Report) for the quarter ended December 31, 2024 on the application of proceeds received by Megaworld Corporation (the Company) from the sale of 79,700,000 common shares of MREIT, Inc. (MREIT) which was settled on June 5, 2024, with the offer price of P12.3001 per share (the Sale), resulting in a net proceeds estimated at P973.01 million (the Sale Proceeds). The procedures were performed solely to enable the Company to comply with the requirement of the Philippine Stock Exchange (PSE) to submit the Report accompanied by an external auditor's report. Our engagement was undertaken and our report is issued in accordance with Philippine Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*.

### **Agreed-upon Procedures**

The procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:
  - a) The Report;
  - b) Schedule of planned application of proceeds from the Sale; and,
  - c) Detailed schedule of utilization of proceeds for the quarter ended December 31, 2024.
2. Compared the total amount of utilization appearing in the Report with the detailed schedule of utilization of proceeds.
3. Compared the schedule of planned application of the Sale Proceeds to the Reinvestment Plan. Inquired with the Company's management of the reason for the difference, if any, and requested a copy of the approval by the Board of Directors (BOD) and the PSE, as appropriate, i.e., if it involved reallocation or change in the use of proceeds.



4. Traced to and examined supporting documents such as acknowledgement receipts and approved payment endorsement documents, of disbursements in the detailed schedule of utilization of proceeds and traced the total amount of disbursements per category to the Report.

#### Results of the Performance of Agreed-Upon Procedures

1. With respect to item 1, we noted no exceptions on the mathematical accuracy of the Report and schedules.

We present below the summary of the application of the proceeds from the Sale for the quarter ended December 31, 2024, based on the information we obtained from the Company.

<u>Project Name</u>	<u>Township or Location</u>	<u>Products</u>	<u>Disbursing Entity</u>	<u>Amount</u>
Northwin Global City	Bulacan	Malls, Offices, Land Development, and Other Developments	Northwin Properties, Inc	P 785,000,000
The Mactan Newtown	Cebu	Malls, Offices, Land Development, and Other Developments	Megaworld Ocean town Properties, Inc.	15,000,000
ArcoVia City	Pasig	Malls, Offices, Land Development, and Other Developments	ArcoVia Properties, Inc.	12,000,000
Bacolod Projects	Bacolod	Malls, Offices, Land Development, and Other Developments	Megaworld Bacolod Properties, Inc.	<u>8,000,000</u>
				<b><u>P 820,000,000</u></b>

2. With respect to item 2, we noted that the total amount of utilization appearing in the Report is in agreement with the amount in the detailed schedule of utilization of proceeds.
3. With respect to item 3, we noted that the planned application of the Sale Proceeds is in agreement with the Reinvestment Plan dated June 5, 2024.
4. With respect to item 4, we traced the utilization of the Sale Proceeds for the quarter ended December 31, 2024 to supporting acknowledgment receipts and approved payment endorsement documents.

We noted that the Company granted advances to the following disbursing entities to be used in the projects specified:

Disbursing Entity	Project Name	Township or Location	Amount
Northwin Properties, Inc.	Northwin Global City	Bulacan	P 785,000,000
Megaworld Oceantown Properties, Inc.	The Mactan Newtown	Cebu	15,000,000
ArcoVia Properties Inc.	ArcoVia City	Pasig	12,000,000
Megaworld Bacolod Properties, Inc.	Bacolod Projects	Bacolod	8,000,000
			<b>P 820,000,000</b>

We traced the cash advances granted by the Company to the acknowledgement receipts issued by the entities. Moreover, we agreed the amounts presented in the Report to the accounting records of the Company.

Because the foregoing procedures do not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), respectively, we do not express an assurance on the use of the Sale Proceeds based on the said standards. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

### PUNONGBAYAN & ARAULLO

By: **John Endel S. Mata**  
Partner

CPA Reg. No. 0121347  
TIN 257-622-627  
PTR No. 10465907, January 2, 2025, Makati City  
BIR AN 08-002551-040-2023 (until January 24, 2026)  
BOA/PRO Cert. of Reg. No. 0002/P-012 (until August 12, 2027)

SUBSCRIBED AND SWORN to before me this JAN 13 2025  
at Makati City, Philippines. Affiant exhibited to me his/her  
competent ID # \_\_\_\_\_ valid until January 10, 2026

DOC. NO. 331  
PAGE NO. 68  
BOOK NO. IV  
SERIES OF 2025

**MA. ESMERALDA R. CUNANAN**  
Notary Public for and in Makati City  
Until December 31, 2025  
Appt. No. M-013 (2024-2025) Makati City  
Attorney's Roll No. 34562  
MCLE Compliance No. VIII 0000662/valid until 4-14-2028  
PTR No. 10467303/1 2-2025/Makati City  
IBP Lifetime Member No. 05413  
G/F Dela Rosa Carpark I, Dela Rosa St.  
Makati City