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Valuation Report

Prepared for:

MREIT, INC.

2022-02MV: FIVE WEST CAMPUS -

No. 15 Le Grand Avenue, McKinley West
Fort Bonifacio, Taguig City
Metropolitan Manila, Philippines

As of: 31 December 2021

Contact Details:

MREIT, INC.

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

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

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Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.



Address	Five West Campus, No. 15 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila, Philippines.		
Description	The Property comprises <u>land (leasehold), leasehold improvements including building machinery & equipment</u> of a site identified as Five West Campus, a PEZA registered, Grade A, LEED Silver office building located along the northwest bend of Le Grand Avenue and extending northward to Lombard Street, just across Cyber Sigma.		
Area for Land Lease	3,303 sq.m		
Gross Floor Area	12,884.02 sq.m.	Gross Leasable Area	10,256.96 sq.m.
Occupancy	100%	WALE	3.33 years
Ave. Lease Rate	PhP908/ sq.m/ month		
CLIENT	MREIT, INC.		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE	<u>PhP1,895,000,000</u>		
(Income Approach)	ONE BILLION, EIGHT HUNDRED NINETY-FIVE MILLION PHILIPPINE PESOS		
Valuation date	31 December 2021		
Date of Issue	18 March 2022		

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1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 26 January 2022, to provide a Valuation Report on the opinion of Market Value using Income Approach of that certain Property consisting of <u>land (leasehold), leasehold improvements, and building machinery & equipment</u> of a site identified as Five West Campus located along the northwest bend of Le Grand Avenue extending northward to Lombard Street , within McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila, Philippines , (“the Property”). A copy of that document is attached herein as Appendix 2.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. (“Santos Knight Frank” or “SKF”), in accordance with our General Terms of Business for Valuations (“General Terms of Business”), as attached as Appendix 3.
Client	1.3	Our client for this instruction is MREIT, Inc. (“the Client”).
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of possible asset infusion to MREIT, Inc.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.’s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix 2. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise

1.13 The valuation process was performed by **Pablo D. Acebo** under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.**, also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission (“the PRC”), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting

1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection

1.15 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **04 February 2022** by **Pablo D. Acebo**. Valuation date, however, is 31 December 2021.

Investigations

1.16 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal and internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided

1.17 In this report, we have been provided with information/documents by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Master Development Plan
- Draft Lease Contracts
- Rent Roll
- Financial Statements
- Income and Expense Projections
- Historical and Current Occupancy

1.18 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.19 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV)

1.20 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as “the estimated amount for which an asset or liability should exchange

on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the property.

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

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.21 The valuation date is **31 December 2021**.

2 The Property

Location

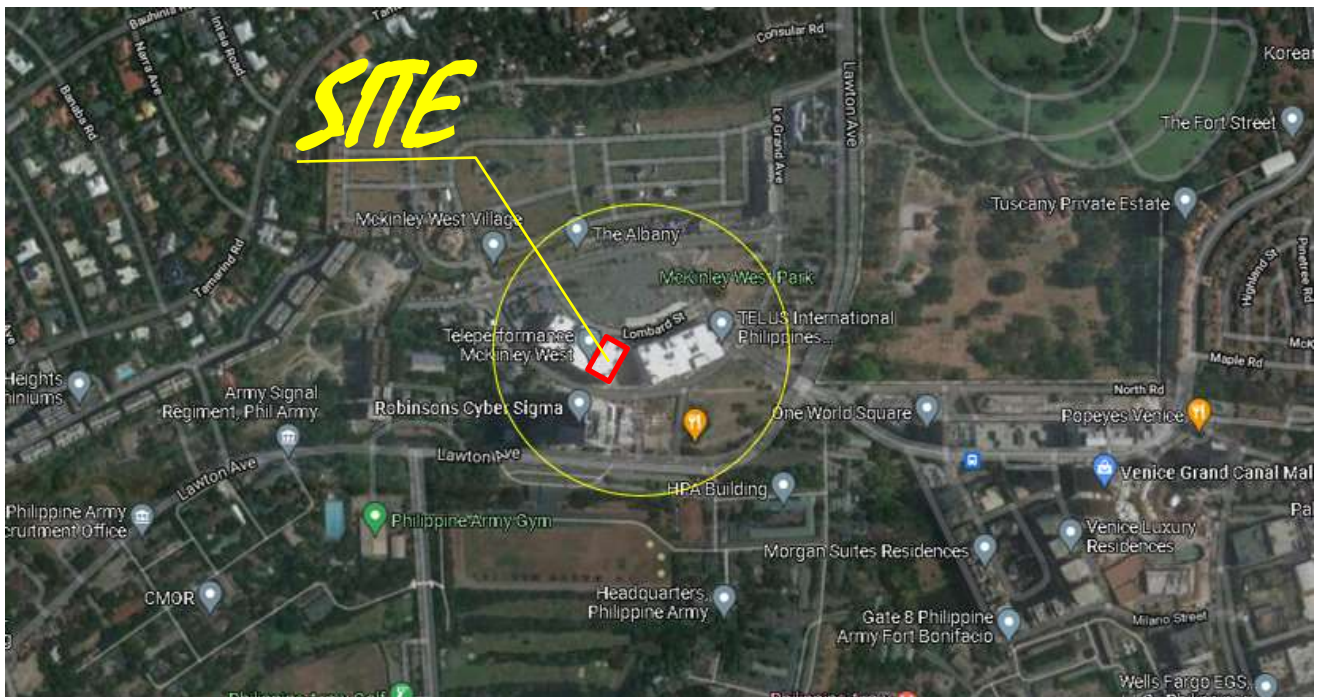
Address

2.1 The Property is identified as Five West Campus, an office building located along the northeast bend of Le Grand Avenue and extending northward to Lombard Street, within McKinley West, Fort Bonifacio, Taguig City, Metropolitan Manila.

The Property is just across Cyber Sigma and Ten West Campus, about 146 meters northeast from National Mapping & Resource Authority along Lawton Avenue, some 190 meters southwest from One Le Grand Tower, around 330 meters northwest from Philippine Army National Headquarters or about 356 meters west from Manila American Cemetery and Memorial and approximately 824 meters northwest from Venice Grand Canal Mall.

The Property is bounded on the north by St. Mortiz Luxury Residences, on the east by Global City, on the south by McKinley Hill and on the west by McKinley West Residences.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.



Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood

2.3 The Property is located within McKinley West, in an area predominantly used for residential, commercial and BPO offices developed by Megaworld Corporation and close to the Italian-inspired township home to the Venice Grand Canal Mall, a Megaworld Lifestyle Mall known for its design and architecture and is popularly considered as the "most romantic mall" in the country.

Generally, the streets in the neighbourhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Main thoroughfares and side roads are asphalted and concreted, with widths ranging from 8 to 20 meters and lighted with street lamps.

Some of the notable developments in the area include The Venice Luxury Residences, McKinley West Village, St. Mortiz, Science Hub, Morgan Suites, Accenture, 10 West, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley Hill Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, amongst others.

Accessibility

2.4 The Property fronts Le Grand Avenue, a main road that connects to Mc West Boulevard on the northeast and Lawton Avenue on the southeast and to Carlos P. Garcia Avenue (C-5 Road) on the northeast. SLEX Nichols entrance on the southwest and Epifanio Delos Santos Avenue (EDSA) on the northwest provides excellent access to other major sections of the metropolis.

Public transport like jeepneys and taxicabs are available throughout the day along the nearby Lawton Avenue.

Other community centers like post office, churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease Draft dated 03 February 2022 covering the underlying land, executed by and between **Megaworld Corporation**, as the **Lessor**, and **MREIT, INC**, as the **Lessee**.

Some of the salient details of the contract are as under:

- The land lease period shall commence upon the issuance of MREIT shares in the name of Megaworld Corporation via property for share swap. This Contract shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties.
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:
 - From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and
 - From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties.
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contract, shall not in any case be reduced;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Based on other information provided by the Client, below are additional details of the contract:

- Rent payment commencement date is on July 1, 2023;
- Area for Land Lease is 3,303 sq.m. Reportedly, it forms part of Lots 2 & 3, Block 17, covered by Transfer Certificates of Title No. 164-2015000470 and 164-2015000471, respectively, with a lot area of 6,326 sq.m. each, or a total of 12,652 sq.m., issued in favor of **Bases Conversion and Development Authority**. As stated in the Lease Contract above, Lessor is **Megaworld Corporation**. We did not conduct further verification regarding this.

Tenure	2.6	As evidenced by the Contract of Lease above, ownership rights to the Land is leasehold .
Terrain	2.7	The terrain of the land is generally flat and at grade with the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment	2.8	This is an office building identified as Five West Campus, described below:
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Five West Campus –

Five West Campus is Grade A, LEED silver-certified, PEZA-registered office building with an LGU Safety Seal building certification. It is a five (5)-storey with deck, reinforced concrete-framed office building and was reportedly completed sometime in 2016. The ground floor houses the main lobby and various retail establishments such as Lawson, Starbucks, I Go Korea and parking area while second floor up to fifth floor are utilized mainly as offices by Teleperformance.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with solar reflective glass windows, and concrete hollow block walls of plastered cement / painted finish. Interior finishes comprise marble and ceramic tiles finishes for the main and elevator lobbies, gypsum board ceilings with recessed fluorescent lighting and glass panel and metal doors. Machine and Pump Rooms consist of plain concrete cement with epoxy paint finish and metal door.

Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements. Fit-outs introduced typically comprise of a combination of raised flooring, wall-to-wall carpet, ceramic or vinyl tile coverings, suspended tile or plasterboard lined ceilings with recessed fluorescent lighting. Moreover, tenants who opted to rent whole floors of the building can have direct access through the inner walkway on both lobbies of the building.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 12,884.02 sq.m.

Note: Following instructions from the Client, the parking level (ground floor) was excluded in this valuation.

- Tenure**
- 2.9 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

- Measurement**
- 2.10 Based on the gross leasable area tabulation provided to us by the Client, the building has a gross leasable floor area of approximately 10,256.96 sq. m.
 - 2.11 The Gross Leasable Area (GLA) is tabulated as follows:

Unit	Description	Sq.m.
Ground Floor	Recruitment Space	279.12
2 nd Floor	Office Units	2,494.46
3 rd Floor	Office Units	2,494.46
4 th Floor	Office Units	2,494.46
5 th Floor	Office Units	2,494.46

	Total	10,256.96

Condition

- Scope of Inspection**
- 2.12 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.
 - 2.13 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.
 - 2.14 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.
 - 2.15 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

- 2.16 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.
- Comments**
- 2.17 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.
- 2.18 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.
- Ground conditions**
- 2.19 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.
- Services**
- 2.20 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the building's sewerage system.
- Tenancies**
- Tenancy Information**
- 2.21 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.
- 2.22 Based on the rent roll provided, total leasable area is **10,256.96** sq.m.
- 2.23 The Property is occupied by just one tenant engaged in the Business Process Outsourcing (BPO) industry.
- 2.24 As of 31 December 2021, the Property is 100% occupied with a Weighted Average Lease Expiry (WALE) of 3.33 years. It has been noted that leased areas will expire in the years 2024 and 2025 with 1% and 99% of leased area respectively.



Source: SKF/MREIT

Roadways and Access

Roadways 2.25 Based on actual inspection and as shown on a copy of Master Development Plan provided to us, the Property in its entirety enjoys frontages along Le Grand Avenue and along Lombard Street.

Le Grand Avenue is about 20 meters wide, asphalt-paved, while Lombard Street is about 8 meters wide, concrete-paved. All roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.26 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.27 From our enquiries with the **DOST-UP and Phil-LiDAR Program (City of Taguig, Metropolitan Manila 5-Year Flood Hazard Map)**, and also due to its terrain, we have ascertained that the Property is not within an indicative floodplain and that there is therefore a **negligible** risk of flooding.

Contamination 2.28 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.29 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.30 “Highest and Best Use” is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.31 Considering the Property’s size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial land development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs



The Property along Le Grand Avenue



The Property along Lombard Street



The Ground & Elevator Lobby and Hallways



Parking Area



Roof Deck

2.32 Other photographs of the Property are attached at Appendix 4.

3 Valuation

Methodology

Valuation

Rationale

- 3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisal. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.
- 3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

- 3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

- 3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.
- 3.5 The valuation process, briefly stated, consists of the following:
- Estimation of the revenues generated;
 - Estimation of the costs and expenses related to the operations of the development;

- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

$$\text{Discount Rate} = R_f + P + MR + LR$$

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 December 2021 valuation date.

Risk Free Rate (10Y)	4.82%	As of 31 December 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 22 October 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEX. The Philippine Dealing & Exchange (PDEX) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEX. The PHP BVAL Reference Rate dated 31 December 2021 - the valuation date, was used for this valuation exercise (image shown below).

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.0148	1.0797
3M	1.0945	1.1211
6M	1.2693	1.2679
1Y	1.6597	1.6523
2Y	2.6781	2.6648
3Y	3.2512	3.2169
4Y	3.7690	3.7264
5Y	4.1966	4.1553
7Y	4.6311	4.5963
10Y	4.8222	4.8194
20Y	5.0908	5.0768
25Y	5.0840	5.0699

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a

qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate

3.11 Resulting Discount Rate used for this valuation is 9.52%, or say, 9.5%.

Capitalization Rate

3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

$$\text{Capitalization Rate} = \text{Discount Rate} - \text{Growth}$$

For purposes of this valuation, a long-term growth rate of 5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions

3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2022 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Aside from the monthly rentals from leasable areas, revenues likewise include CUSA Dues which are likewise charged to the tenants monthly on a per sq.m. basis. These dues are for common and/ or shared utilities, facilities and services.

It would be important to note that as the building administrators, they collect the said dues as a cost recovery mechanism for all expenses related to the day-to-day operations of the building and its common areas.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. Cost & Expenses

Operating Costs and Expenses are assumed to be an average of approximately 13% of the Total Net Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. On the other hand, other operating expenses include the following: PM & FM expenses, general and admin expense and business taxes.

These percentage allocations were from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the Property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset’s life beyond its normal useful years.

Resulting Market Value

- 3.14 a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.50%.
- b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix 5.

Valuation basis

Market Value 3.15 “Market Value” is defined in the **2019 International Valuation Standards** as:
 “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Valuation date

Valuation date 3.16 The valuation date is **31 December 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions 3.20 As instructed by the Client, Parking Level is excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates.

3.21 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

3.22 Premised on the foregoing, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 December 2021**, is:

PhP1,895,000,000 (ONE BILLION, EIGHT HUNDRED NINETY-FIVE MILLION PHILIPPINE PESOS).

Calculation 3.23 We attach a copy of our valuation calculations at Appendix 5.

Note: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a “Global Pandemic” on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of “material valuation uncertainty” per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

Value forwarded PhP1,895,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.



JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8883632 - 01/26/2022; Makati City
TIN 185-543-916



JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8883629 - 01/26/2022; Makati City
TIN 901-308-499

Reviewed (but not undertaken by):



WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8883634 - 01/26/2022; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	<p>Our valuation is made on the basis of Market Value which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</p> <p>In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.</p> <p>It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.</p> <p>The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PHP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.</p>
Property Rights appraised	<p>The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.</p> <p>We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.</p>
Fractional Interests:	<p>When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole.</p> <p>When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.</p>
Assumptions:	<p>The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation.</p> <p>We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct.</p> <p>Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the Property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.</p>
Information Supplied By Others	<p>Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.</p> <p>Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.</p>
Legal Issues:	<p>This valuation assumes no responsibility for the validity of legal matters affecting the Property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the Property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded.</p> <p>The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the Property in question, unless arrangements have been previously made.</p>
Liability:	<p>The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.</p>
Environmental Conditions:	<p>It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.</p>
Town Planning:	<p>It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.</p>
Condition of Improvements:	<p>We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the Property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the Property appears to be in reasonable condition having regard to its age and use and unless otherwise stated.</p> <p>We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.</p>
Valuation Methodology:	<p>Santos Knight Frank uses any one or a combination of the Market Data Approach, the Cost Approach, and the Income Capitalization Approach. Each methodology begins with a set of assumptions. The result is the best estimate of value Santos Knight Frank can produce, but it is an estimate and not a prediction or guarantee and it is fully dependent upon the accuracy of the assumptions as to income, expense and market conditions. These primary methodologies use market derived assumptions, including rents, yields and discount rates, obtained from analyzed transactions. We do not represent ourselves as experts for data, such as economic, demographic or construction costs, which has been obtained from external sources.</p>
Others:	<p>This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.</p> <p>The delivery and acceptance of this report completes this assignment.</p>

Appendix 2 - Letter of Engagement

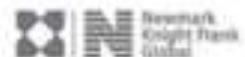
A Proposal to



For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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26 January 2022

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

PRIVATE & CONFIDENTIAL
Our ref: L22-0121-028

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 25 January 2022 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client

Our Client for this Valuation is MREIT, Inc. (the "Client", "MREIT", "you" or "your").

2. Overview of Valuation Services

The Client requires the Valuation for the following:

- The value of any of the Properties that are held by MREIT at the end of each of the calendar years 2021, 2022 and 2023 ("Financial Reporting").
- The value of any of the Properties to be infused into MREIT at any point in time from the date of this Agreement to 31 December 2023 ("Possible Asset Infusion").

Financial Reporting and Possible Asset Infusion represent two distinct and separate services and the related Professional Fees are set out below.

3. Purpose of Valuation

The Valuation is provided solely for Financial Reporting and Possible Asset Infusion to MREIT (together "the Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent.

Financial Reporting is required by the statutory auditor of MREIT (currently Punongbayan & Araullo) in order to finalise the audit of the financial statements of MREIT for the year ended 31 December 2021 and the years ending 31 December 2022 and 2023. Once finalised, the audited financial statements shall be submitted to the Securities and Exchange Commission ("SEC") and the Philippine Stock Exchange ("PSE").

Possible Asset Infusion will be implemented by way of properties-for-share swaps and its application for a Tax-Free Exchange Ruling with the Bureau of Internal Revenue ("BIR"). The attributed values will be made accessible in the public domain as part of the regulatory requirements of the Transaction (including disclosures to SEC, PSE and BIR).

4. Properties to be Valued

According to the information that you have provided, the Properties will cover the following:

FINANCIAL REPORTING

The Properties to be valued for each of the year ended 31 December 2021 and the years ending 31 December 2022 and 2023 are as follows:

1. **1800 Eastwood Avenue Building** (GLA approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (GLA approx. 33,743.82 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (GLA approx. 20,940.20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (GLA approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (GLA approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (GLA approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (GLA approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (GLA approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (GLA approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower and Hotel**
 - **Richmonde Office Tower** (GLA approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
 - **Richmonde Hotel** (GLA approx. 6,789.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo City

The Properties to be valued for each of the years ending 31 December 2022 and 2023 are as follows:

1. **World Finance Plaza** (GLA approx. 25,024.25 SQM) Upper McKinley Road, Mc Kinley Hill, Taguig City
2. **Two Techno Place** (GLA approx. 10,808.90 SQM) Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
3. **Three Techno Place** (GLA approx. 9,567.90 SQM) Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
4. **One Global Center** (GLA approx. 10,301 SQM) Iloilo Business Park, Iloilo City

POSSIBLE ASSET INFUSION

Based on the information that you have provided us, the following assets are scheduled for Possible Asset Infusion at any point in time from the date of this Agreement to 31 December 2023. You have categorized these assets as "First Tranche" and "Second Tranche" as follows:

First Tranche

1. **One West Campus** (GLA approx. 9,704.3 SQM) McKinley West, Taguig City
2. **Five West Campus** (GLA approx. 10,129 SQM) McKinley West, Taguig City
3. **Festive Walk 2B** (GLA approx. 8,747 SQM) Iloilo Business Park, Iloilo City
4. **Two Global Center** (GLA approx. 9,902.6 SQM) Iloilo Business Park, Iloilo City

Second Tranche

1. **Two West Campus** (GLA approx. 9,481.90 SQM) McKinley West, Taguig City
2. **Three West Campus** (GLA approx. 10,105 SQM) McKinley West, Taguig City
3. **Ten West Campus** (GLA approx. 35,696.40 SQM) McKinley West, Taguig City
4. **1/2/3 West Campus (Retail)** (GLA approx. 5,216.50 SQM), McKinley West, Taguig City
5. **5/6/7 West Campus (Retail)** (GLA approx. 1,770 SQM), McKinley West, Taguig City
6. **Science Hub Tower 1** (GLA approx. 21,614.40 SQM) Upper McKinley Road, Mc Kinley Hill, Taguig City
7. **One World Center** (GLA approx. 5,839.80 SQM), Mactan Newtown, Mactan, Cebu
8. **Two World Center** (GLA approx. 8,469.30 SQM), Mactan Newtown, Mactan, Cebu
9. **Global One Building** (GLA approx. 34,495.10 SQM), Eastwood City, Quezon City
10. **Techno Plaza 1** (GLA approx. 15,057.50 SQM), Eastwood City, Quezon City
11. **One Fintech Place** (GLA approx. 18,156.70 SQM) Iloilo Business Park, Iloilo City
12. **Festive Walk 1B** (GLA 9,039.90 SQM) Iloilo Business Park, Iloilo City

The above listings under the headings "First Tranche" and "Second Tranche" are subject to change at any time. SKF reserves the right to vary the terms of this Agreement based on the timing, number, nature and physical location of assets to be infused to MREIT.

Details of the First and Second Tranche assets are set out at Annex A to this Agreement. The Valuation shall exclude all other properties not specified in this Agreement.

5. Valuation Date

The Valuation Date for each of the services will be as follows:

- Financial Reporting: 31 December 2021, 2022, and 2023 or at an alternate date to be agreed between SKF and MREIT; and
- Possible Asset Infusion: as at the date of asset infusion or at an alternate date to be agreed between SKF and MREIT.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our reports may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Fair Value for Financial Reporting and Market Value for Possible Asset Infusion defined as follows:

Fair Value, defined under International Financial Reporting Standards (IFRS) 13, and mentioned on International Valuation Standards (IVS) 2019, as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

- a. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the Valuation;
- b. Collect, verify and analyse all available information applicable to the Valuation;
- c. Document the details of the valuation procedures and the various assumption and parameters used in the Valuation;
- d. Analyse and apply the appropriate approach/es to value;
- e. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine laws;
- f. Submit the various Valuation Reports with the indicated values as at the agreed Valuation Dates.

13. Valuation Methodology

In estimating the value of the Properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisal. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

- a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

- b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisal. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.
- c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. 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. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisal. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the Properties using income approach, specifically discounted cash flow method, only.

14. Reporting Currency

The Valuation will be reported in Philippine Peso (PhP).

15. Required Information

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

16. Timelines and Delivery

We will endeavor to submit our reporting as follows:

FINANCIAL REPORTING

For the year ended 31 December 2021 the proposed timeline is as follows:

- Client will provide all Required Information (as set out above) to SKF on Thursday, 27 January 2022;
- Should SKF identify that any of the Required Information is missing / incomplete, this matter will be reported to the Client on Friday, 28 January 2022;
- Client will provide any missing / incomplete Required Information to SKF on Saturday, 29 January 2022;
- SKF will submit an Advance Valuation Summary Report (prepared in Microsoft Excel) to the Client on Wednesday, 16 February 2022;
- The Client will submit all comments on the Advance Valuation Summary Report to SKF on Thursday, 17 February 2022;
- SKF will review all comments submitted and discuss with the Client as needed with a view to submitting the Draft Valuation Summary Report on Friday, 18 February 2022; and
- Subject to the Client's confirmation of the content of the Draft Valuation Summary Report, SKF will submit the Final Valuation Summary Report to the Client on Monday, 7 March 2022.

The above timeline is subject to the provision of all Required Information within the deadlines set out above and the immediate signature of this Agreement (along with the required initial payment) by MREIT.

For the years ending 31 December 2022 and 2023 the proposed timeline will be determined based on the number, nature and physical location of the Properties that have been infused into MREIT as at those reporting dates.

ASSET INFUSION

The proposed timeline will be determined based on the timing, number, nature and physical location of the Properties that are to be infused into MREIT at any future date.

For the anticipated **First Tranche** of asset infusion, the proposed timeline is as follows:

- Client will provide all Required Information (as set out above) to SKF on Thursday, 27 January 2022;
- Should SKF identify that any of the Required Information is missing / incomplete, this matter will be reported to the Client on Friday, 28 January 2022;
- Client will provide any missing / incomplete Required Information to SKF on Saturday, 29 January 2022;

- SKF will submit an Initial Valuation Summary Report (prepared in Microsoft Excel) to the Client on Monday, 7 February 2022;
- The Client will submit all comments on the Initial Valuation Summary Report to SKF on Tuesday, 8 February 2022;
- SKF will review all comments submitted and discuss with the Client as needed with a view to submitting the Draft Valuation Summary Report and Draft Valuation Report on Wednesday, 9 February 2022; and
- The Client will submit final comments and notice to proceed with the submission of the Final Valuation Report to SKF on Thursday, 10 February 2022;
- Subject to the Client's confirmation of the content of the Draft Valuation Summary Report, SKF will submit the Final Valuation Summary Report to the Client on Friday 11 February 2022.

17. Report Format

The Final Valuation Report will be in narrative format, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

18. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

19. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

20. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.



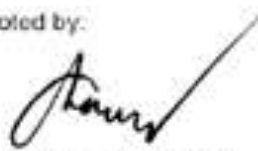
MABEL LUNA, CFC®
Senior Director & Head
Valuation and Advisory
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and agreed to by:
MREIT, INC.



KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date _____

Noted by:



CELIA N. ROCAMORA
Operations Director

Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the “**General Terms**”) and our Letter of Engagement (the “**Letter**”), together form the agreement between you and us (the “**Agreement**”). References to “**you**”, “**your**” etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless the context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term “**Valuation**” shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms “**including**”, “**in particular**” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

- 1.1. Santos Knight Frank, Inc. (“**Santos Knight Frank**”, “**our**”, “**us**”, “**we**”) is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.
- 1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.
- 1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term “**Santos Knight Frank Person**” shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.
- 1.4. Our Tax Identification Number (TIN) is 201-626-570-000.
- 1.5. The details of our professional indemnity insurance will be provided to you on request.
- 1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.
- 1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

- 2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

- 2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

- 3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.
- 3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.
- 3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.
- 3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.
- 3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.
- 3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.
- 3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

- 4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.
- 4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.
- 4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.
- 4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "Associated Knight Frank Entity").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "Contractual Documents") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causes which could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering

We agree that throughout the term of our appointment we shall:

- (a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the “**Relevant Requirements**”);
- (b) not engage in any activity, practice or conduct which would constitute an offense;
- (c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and
- (d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios

Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches

We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens

We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities

No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information

We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued

We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries

Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations

19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance

Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age

Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition

Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions

Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues

24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Photographs



Le Grand Avenue



Lombard Street



Main Entrance



Typical Elevator Lobby



Roof Deck Area (Machine Room, Ventilating Units & Air Conditioning Units)



Water Tank



Machine Room



Stand-by Generating Set



Main Transformer



Ground Floor Parking

Appendix 5 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.

as of 31 December 2021

PROPERTY NAME	: FIVE WEST CAMPUS
PROPERTY ADDRESS	: 15 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City

	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	Terminal Year
	January 2022 - December 2022	January 2023 - December 2023	January 2024 - December 2024	January 2025 - December 2025	January 2026 - December 2026	January 2027 - December 2027	January 2028 - December 2028	January 2029 - December 2029	January 2030 - December 2030	January 2031 - December 2031	January 2032 - December 2032
INCOME REVENUES											
<u>RENTAL INCOME</u>											
Commercial Leasing Revenues (Office & Retail)	111,745,213	111,745,213	117,332,479	117,332,479	123,199,103	129,359,058	135,827,011	142,618,361	142,618,361	149,749,279	157,236,743
Gross Leasing Revenues	111,745,213	111,745,213	117,332,479	117,332,479	123,199,103	129,359,058	135,827,011	142,618,361	142,618,361	149,749,279	157,236,743
Less: Vacancy Allowance	1,117,452	1,117,452	1,173,325	1,173,325	1,231,991	1,293,591	1,358,270	1,426,184	1,426,184	1,497,493	1,572,367
Net Leasing Revenues	110,627,761	110,627,761	116,159,154	116,159,154	121,967,112	128,065,467	134,468,741	141,192,178	141,192,178	148,251,786	155,664,376
<u>OTHER INCOME (CUSA)</u>											
CUSA Revenues	17,487,560	18,012,186	18,552,552	19,109,129	19,682,402	20,272,874	20,881,061	21,507,492	22,152,717	22,817,299	23,501,818
CUSA Costs and Expenses	14,715,781	15,157,255	15,611,972	16,080,332	16,562,742	17,059,624	17,571,413	18,098,555	18,641,512	19,200,757	19,776,780
Net Other Income	2,771,778	2,854,932	2,940,579	3,028,797	3,119,661	3,213,251	3,309,648	3,408,938	3,511,206	3,616,542	3,725,038
TOTAL REVENUES	113,399,539	113,482,693	119,099,733	119,187,951	125,086,772	131,278,718	137,778,389	144,601,115	144,703,383	151,868,328	159,389,414
OPERATING COSTS & EXPENSES											
<u>BUILDING EXPENSES</u>											
Direct Operating Expenses											
CUSA Expense	174,876	180,122	185,526	191,091	196,824	202,729	208,811	215,075	221,527	228,173	235,018
Real Property Taxes	1,244,775	1,307,013	1,372,364	1,440,982	1,513,031	1,588,683	1,668,117	1,751,523	1,839,099	1,931,054	2,027,607
Land Lease	-	1,382,847	2,903,979	4,355,968	6,098,356	6,403,273	6,723,437	7,059,609	7,059,609	7,412,589	7,783,219
Other Operating Expenses											
PM & FM Fees	6,236,975	6,241,548	6,550,485	6,555,337	6,879,772	7,220,329	7,577,811	7,953,061	7,958,686	8,352,758	8,766,418
General and Admin Expense	1,133,995	1,134,827	1,190,997	1,191,880	1,250,868	1,312,787	1,377,784	1,446,011	1,447,034	1,518,683	1,593,894
Business Tax	1,700,993	1,702,240	1,786,496	1,787,819	1,876,302	1,969,181	2,066,676	2,169,017	2,170,551	2,278,025	2,390,841
BUILDING EXPENSES	10,491,613	11,948,598	13,989,847	15,523,078	17,815,153	18,696,983	19,622,636	20,594,296	20,696,506	21,721,283	22,796,997
NET OPERATING INCOME	102,907,926	101,534,095	105,109,886	103,664,873	107,271,620	112,581,735	118,155,753	124,006,819	124,006,877	130,147,046	136,592,417
CAPEX	3,401,986	3,404,481	3,572,992	3,575,639	3,752,603	3,938,362	4,133,352	4,338,033	4,341,101	4,556,050	
NOI after CAPEX	99,505,940	98,129,614	101,536,894	100,089,234	103,519,016	108,643,374	114,022,401	119,668,786	119,665,776	125,590,996	
Discount Rate/ Present Worth Factor	9.5%	0.91	0.83	0.76	0.70	0.64	0.58	0.53	0.48	0.44	0.40
Present Worth of Cashflows	90,873,004	81,841,175	77,335,967	69,619,498	65,758,143	63,025,823	60,407,568	57,898,582	52,874,088	50,677,749	
Total Present Worth of Cashflows	670,311,597										
Terminal Value of Property at 11Y	4.5%	3,035,387,043									
Discounted at	0.40	1,224,821,734									
TOTAL PROPERTY VALUE											1,895,133,331
Rounded to, say											1,895,000,000

PROFESSIONAL PROFILE



WENCESLAO D. FUENTES, JR.

Director

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Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE



JACQUELINE T. GUERTA

Director

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Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE



JESUS CONSTANCE M. CASTRO
Director

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Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas