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# Valuation Report

Prepared for:

**MREIT, INC.**

**2021-01-IA: World Finance Plaza -**

28 Upper McKinley Road, McKinley Hill  
Barangay Pinagsama, Taguig City  
Metropolitan Manila, Philippines

As of: 30 September 2021

Contact Details:

**MREIT, INC.**

18<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> 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.



<b>Address</b>	World Finance Plaza (a.k.a. Intellectual Property Center), 28 Upper McKinley Road, McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines.		
<b>Description</b>	The Property comprises <u>land (leasehold), leasehold improvements including building machinery &amp; equipment</u> of a site identified as World Finance Plaza, a PEZA-registered, LGU Safety Seal-certified, Grade A office building located at the west corner of Upper McKinley Road and McKinley Park Road. It is beside Three World Square Building and across Venice Grand Canal Mall, about 540 meters southeast from Lawton Avenue.		
<b>Land Area</b>	2,292 sq.m.		
<b>Gross Floor Area</b>	27,657.96 sq.m.	<b>Gross Leasable Area</b>	25,066.45 sq.m.
<b>Occupancy</b>	99.76%	<b>WALE</b>	3.32 years
<b>Ave. Lease Rate</b>	PhP974/ sq.m/ month		
<b>CLIENT</b>	<b>MREIT, INC.</b>		
<b>Tenure</b>	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
<b>MARKET VALUE</b>	<b><u>PhP5,265,000,000</u></b>		
<b>(Income Approach)</b>	<b>FIVE BILLION, TWO HUNDRED SIXTY-FIVE MILLION PHILIPPINE PESOS</b>		
<b>Valuation date</b>	<b>30 September 2021</b>		
<b>Date of Issue</b>	<b>11 November 2021</b>		

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# 1 Instructions

## Engagement of Santos Knight Frank

<b>Instructions</b>	1.1	We refer to our Letter of Engagement dated 20 October 2021, to provide a Valuation Report on the opinion of <b>Market Value</b> using Income Approach of that certain Property consisting of <u>land (leasehold), leasehold improvements, and building machinery &amp; equipment</u> of a site identified as <b>World Finance Plaza (a.k.a Intellectual Property Center)</b> , located along <b>Upper McKinley Road</b> , within <b>McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines</b> , (“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.
<b>Client</b>	1.3	Our client for this instruction is <b>MREIT, Inc.</b> (“the Client”).
<b>Valuation standards</b>	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
<b>Purpose of valuation</b>	1.5	You have confirmed that this valuation is for the purpose of <b>possible asset infusion of certain Properties owned by Megaworld Corporation to MREIT</b> .
<b>Conflict of interest</b>	1.6	We confirm that we do have a material connection or involvement giving rise to a potential conflict of interest, as set out below:  You have engaged us for the valuation of a real estate portfolio consisting of various properties for your proposed REIT Initial Public Offering as of 31 March 2021.
	1.7	You have confirmed this Engagement notwithstanding this matter, you are content for us to proceed with this instruction. We are providing an objective and unbiased valuation.
	1.8	We are acting as external and independent valuers in this engagement.
<b>Responsibility to third parties</b>	1.9	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.
<b>Disclosure &amp; publication</b>	1.10	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.
<b>Limitations on liability</b>	1.11	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.

- 1.12 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).
- 1.13 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** 1.14 The valuation process was performed by **Jacqueline T. Guerta**, a licensed Real Estate Appraiser, with the assistance of **Brig Noli M. Rosanes**. 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** 1.15 This report has been vetted as part of Knight Frank global standards.

## Scope of enquiries & investigations

- Inspection** 1.16 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 October 2021** by **Jacqueline T. Guerta** and **Brig Noli M. Rosanes**. Valuation date, however, is **30 September 2021**.
- 1.17 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
- Investigations** 1.18 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** 1.19 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:
- Floor plans
  - Floor area tabulation
  - Transfer Certificates of Title
  - Draft Lease Contracts

- Rent Roll
- Financial Statements
- Projections
- Historical and Current Occupancy

1.20 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

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

**Market Value (MV)** 1.22 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** 1.23 The valuation date is **30 September 2021**.



## 2 The Property

### Location

#### Address

2.1 The Property is identified as **World Finance Plaza (also known as Intellectual Property Center)**, an office building located at the west corner of Upper McKinley Road and McKinley Park Road, within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila.

The Property is situated about 540 meters southeast from Lawton Avenue, around 850 meters southwest from the corner of Carlos P. Garcia Avenue (C-5 Road) and Upper McKinley Road, roughly 2.0 kilometers south from Bonifacio Global City and approximately 4.3 kilometers northwest from Taguig City Hall.

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.*



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



### Neighborhood

2.3 The Property is situated within McKinley Hill, a 50-hectare high-end township in Fort Bonifacio developed by Megaworld Corporation. The Italian-inspired township is 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. The bustling township also has foreign embassies, international schools, commercial strips, lifestyle malls, condominium clusters, BPO-IT office towers, and the Emperor Stadium (McKinley Hill Stadium).

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 Hill Village, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley West Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, among others.

### Accessibility

2.4 The Property fronts Upper McKinley Road, an arterial road that connects to Lawton Avenue on the northwest and to Carlos P. Garcia Avenue (C-5 Road) on the northeast, providing 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

### Draft Contract of Lease for Lot 5

- 2.5 Based on documents provided to us by the Client, the Property straddles two (2) lots identified as Lots 5 and 6, having a total land area of **2,292 sq.m.**
- 2.6 We were provided with a copy of the Draft Contract of lease covering Lot 5, executed by **Megaworld Corporation**, as the Lessor. The name of the Lessee is not stated yet in the said contract. However, we were informed by the Client that Lessee would be **MREIT, Inc.**

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

- The leased land has an area of 794 sq.m. identified as portion of Lot 5, Pcs-00-012027. Lot 5, having a total land area of 5,148 sq.m., is covered by Transfer Certificate of Title No. 1503-P, located in Barangay Pinagsama, Taguig City;
- The lease period shall commence on 1 January 2022 and 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, from 01 July 2023 to 30 June 2025, LESSEE shall pay the LESSOR Rent equivalent to, as applicable:
  - a. Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and,
  - b. One and a Half Percent (1.5%) of hotel rental/revenues for hotel properties.

From 01 July 2025 onwards, LESSEE shall pay the LESSOR Rent equivalent to, as applicable:

- a. Five Percent (5%) of gross rental income for office and retail properties; and,
- b. Three Percent (3%) of hotel rental/revenues for hotel 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;

- Rent payment commencement date is on July 1, 2023;
- 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 5<sup>th</sup> day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- 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.

#### **Draft Contract of Lease for Lot 6**

2.7 We were likewise provided with a copy of the Draft Contract of lease covering Lot 6, executed by **Megaworld Corporation**, as the Lessor. Similarly, we were informed by the Client that Lessee would be **MREIT, Inc.**

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

- The leased land has an area of 1,498 sq.m. identified as portion of Lot 6, Pcs-00-012027. Lot 6, having a total land area of 3,836 sq.m., is covered by Transfer Certificate of Title No. 1504-P, located in Barangay Pinagsama, Taguig City;
- The lease period shall commence on 1 January 2022 and 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, from 01 July 2023 to 30 June 2025, LESSEE shall pay the LESSOR Rent equivalent to as, applicable:
  - a. Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and,
  - b. One and a Half Percent (1.5%) of hotel rental/revenues for hotel properties.

From 01 July 2025 onwards, LESSEE shall pay the LESSOR Rent equivalent to as, applicable:

- a. Five Percent (5%) of gross rental income for office and retail properties; and,
- b. Three Percent (3%) of hotel rental/revenues for hotel 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;
- Rent payment commencement date is on July 1, 2023;
- 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 5<sup>th</sup> day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- 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.

<b>Tenure</b>	2.8	As evidenced by the Contracts of Lease above, ownership rights to the land is <b>leasehold</b> .
<b>Transfer Certificates of Title</b>	2.9	Based on documents provided to us, the land where World Finance Plaza is erected consists of two (2) adjoining lots containing an aggregate area of <b>8,984 sq.m.</b> , technically identified as follows:

<u>Lot No</u>	<u>TCT No.</u>	<u>Area (sq.m.)</u>
Lot 5, Pcs-00-012027	1503-P	5,148
Lot 6, Pcs-00-012027	1504-P	3,836
		-----
		<b>8,984</b>

The above Transfer Certificates of Title were both issued in favor of **MEGAWORLD CORPORATION** by the Registry of Deeds for Taguig City.

As stated above, the underlying land comprises portions only of the above lots, having a total area of **2,292 sq.m.**

**Terrain** 2.10 The terrain of the land is generally flat with some sections that slope upwards towards the northeast direction. Its finished elevation conforms to the existing grade of the fronting road.

## Description of Leasehold Improvements

**Improvements and Machinery & Equipment** 2.11 This is an office building identified as World Finance Plaza, described below:

### **World Finance Plaza –**

World Finance Plaza is a PEZA-registered, LGU Safety Seal-certified, Grade A reinforced concrete-framed office building that is fifteen (15) storeys high with roof deck. The building was reportedly completed in 2010. The ground floor houses the main lobby and various retail establishments such as food kiosks and bank, among others. The upper floors are utilized mainly as offices. Notable occupants on the ground floor include UCPB and Intellectual Property Center of the Philippines, while tenants at the upper floors include DXC Technology and Intellectual Property Center of the Philippines. The Property does not have parking levels. However, a parking building (which is not part of the valuation) situated behind the Property serves the parking needs of the Property.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, concrete slab roof deck with waterproofing membrane, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with curtain wall of clear and solar reflective glass, and concrete hollow block walls of plastered cement / painted finish. Interior finishes comprise granite, marble and ceramic tiles finishes for the main and elevator lobbies, acoustic board on T-runner and plasterboard lined ceilings with recessed fluorescent lighting and frameless glass main entrance doors and metal doors. Typical standard office floors have plastered cement finish walls and columns, plasterboard and painted walls. Machine and Pump Rooms consist of plain concrete cement flooring 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.

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.



<b>Tenure</b>	2.12 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.
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## Accommodation

<b>Measurement</b>	2.13 Based on the information provided to us by the Client, total gross floor area of the building is approximately 27,657.96 sq. m.
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## Condition

<b>Scope of Inspection</b>	2.14 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.
	2.15 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.
	2.16 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.
	2.17 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.
	2.18 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.

<b>Comments</b>	2.19 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.
	2.20 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.
	2.21 We likewise noted that there is an ongoing waterproofing works on the roof deck of the Property.

<b>Ground conditions</b>	2.22 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.
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## Services

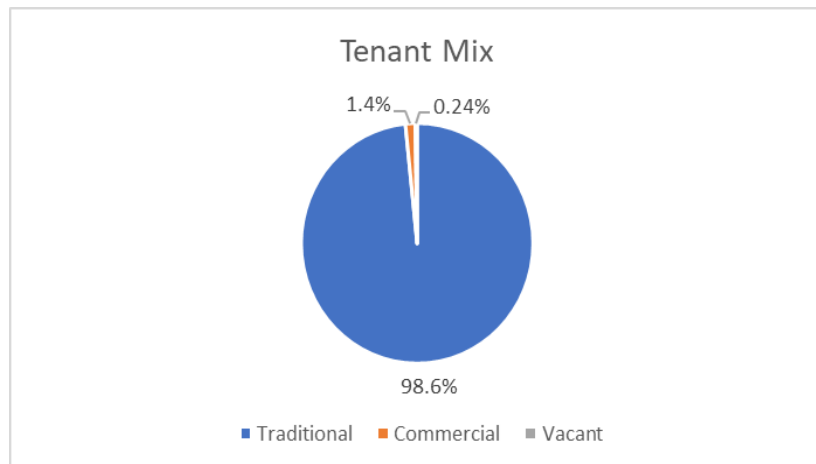
2.23	It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise
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available. Sewer and drainage are believed to be discharged to the building's sewerage system.

## Tenancies

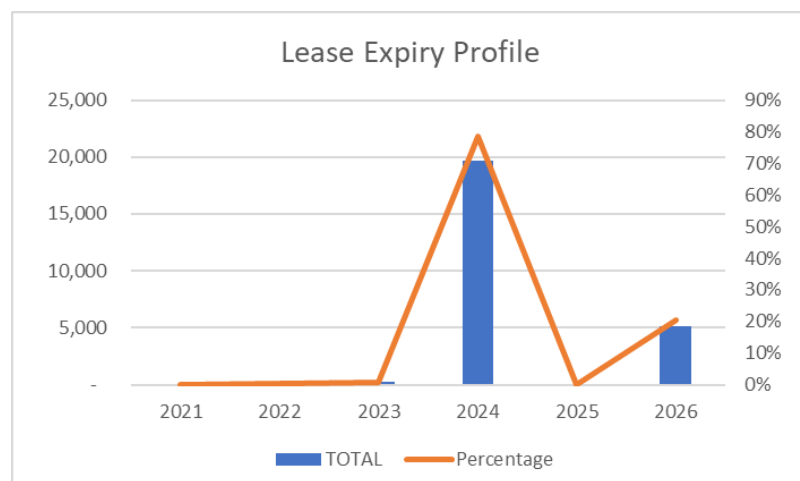
### Tenancy Information

- 2.24 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.
- 2.25 Based on the rent roll provided, total leasable area is 25,066.45 sq.m.
- 2.26 The Property currently has a mix of traditional offices and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, traditional offices currently take up 98.6% of the Property's leasable area followed by retail at 1.1%.



Source: SKF/MREIT

- 2.27 As of 30 September 2021, the Property is about 99.76% occupied with a Weighted Average Lease Expiry (WALE) of 3.32 years. It has been noted that a sizeable area will expire in the year 2024 and 2026 with 78% and 20% of leased area respectively.



Source: SKF/MREIT

## Roadways and Access

- Roadways** 2.28 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 Upper McKinley Road and McKinley Park Road. A copy of the said Master Development Plan is attached herewith as Appendix 4.
- Upper McKinley Road is about 16 meters wide, asphalt-paved, while McKinley Park Road is about 6 meters wide, concrete-paved. Both roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.
- Access** 2.29 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** 2.30 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** 2.31 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.
- 2.32 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

- 2.33 “*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.
- 2.34 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



Outside View of the Property

2.35 Other photographs of the Property are attached at Appendix 5.

## 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, value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Capitalization Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the nature of the assets, the information available, and the facts and circumstances surrounding the valuation.
- 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 terminal cap rate; and
  - Discounting process of the cashflow and the capitalization of 11<sup>th</sup> year net operating income 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:

<b>Discount Rate = Rf + P + MR + LR</b>		
<b>Where</b>	<b>Variable</b>	<b>Proxy Statistic</b>
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 30 September 2021 valuation date.

Risk Free Rate (10Y)	4.50%	As of 30 September 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 25 June 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 30 September 2021 - the valuation date, was used for this valuation exercise (image shown below).

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.0430	1.0408
3M	1.1266	1.1248
6M	1.3856	1.3851
1Y	1.6617	1.6790
2Y	2.1020	2.0853
3Y	2.4955	2.4648
4Y	2.8694	2.8313
5Y	3.2390	3.1937
7Y	3.8778	3.8280
10Y	4.4978	4.4977
20Y	5.4027	5.0168
25Y	5.4236	4.9972

## 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.

Country Risk Classifications  
of the Participants to the Arrangement on Officially Supported Export Credits  
Valid as of: 25 June 2021

nb	Country Code ISO Alpha 3	Country Name <sup>(1)</sup>	Classification		
			Previous	Current Prevailing	Notes
138	PLW	Palau	-	-	(5)
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

## 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 9.20%, or say, 9.0%.

## 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 4.5% 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 October 2021 and runs for a period of 10 years.

The revenues come from the leasing of rental of office 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 Common Use Service Area (CUSA) charges/ fees which are charged to the tenants monthly on a per sq.m. basis. These fees are for common and/ or shared utilities, facilities and services but are exclusive of individual consumption of utilities. Said dues are collected as a cost recovery mechanism for all expenses related to the day to day operations of the building and its common areas. The Property retains about 15% of these charges and forms part of revenues.

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 2%

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: CUSA expense (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: 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 Total Net Revenues. CAPEX are expenditures that would create future benefits to the Property. 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.

- |                               |      |  |
|-------------------------------|------|--|
| <b>Resulting Market Value</b> | 3.14 | <ul style="list-style-type: none"> <li>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 9.00%.</li> <li>b. The sum of discounted cashflows of the Property including the terminal value, represents the Market Value of the Property.</li> </ul> |
|-------------------------------|------|--|

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix 6.

## Valuation basis

- |                     |      |  |
|---------------------|------|--|
| <b>Market Value</b> | 3.15 | <p>Market Value is defined in the 2019 <b>International Valuation Standards</b> as:</p> <p>“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> |
|---------------------|------|--|

## Valuation date

- |                       |      |  |
|-----------------------|------|--|
| <b>Valuation date</b> | 3.16 | The valuation date is <b>30 September 2021</b> . |
|-----------------------|------|--|

## General Assumptions

- |                        |      |  |
|------------------------|------|--|
| <b>Assumptions</b>     | 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. |
| <b>Key Assumptions</b> | 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 draft contract of lease, floor area statistics, 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.

### Special Assumptions

- 3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.
- 3.20 We confirm that we have inspected the Property on 26 October 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
- 3.21 Using the Income Approach to value, we took into consideration the existing lease contracts as summarized in the rent roll provided to us. Upon expiration, we estimated the lease rates based on the acceptable escalations in the market.

### Market Value

- 3.22 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **30 September 2021**, is:

**PhP5,265,000,000 (FIVE BILLION, TWO HUNDRED SIXTY-FIVE MILLION PHILIPPINE PESOS).**

### Calculation

- 3.23 We attach a copy of our valuation calculations at Appendix 6.

**Note:** The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a “Global Pandemic” on 11<sup>th</sup> 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 ..... PhP5,265,000,000

## Signatures

For and on behalf of  
**SANTOS KNIGHT FRANK, INC.**

Reviewed (but not undertaken by):

A handwritten signature in black ink, appearing to read "jguerta", written over a horizontal line.

**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. 8533466 - 01/05/2021; Makati City

TIN 901-308-499

A handwritten signature in black ink, appearing to read "WDF", written over a horizontal line.

**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. 8533463 - 01/05/2021; Makati City

TIN 117-704-257



## Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

<b>Basis of Value</b>	<p>Our valuation is made on the basis of <b>Market Value</b> 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>
<b>Property Rights appraised</b>	<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>
<b>Fractional Interests:</b>	<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>
<b>Assumptions:</b>	<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>
<b>Information Supplied By Others</b>	<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>
<b>Legal Issues:</b>	<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>
<b>Liability:</b>	<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>
<b>Environmental Conditions:</b>	<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>
<b>Town Planning:</b>	<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>
<b>Condition of Improvements:</b>	<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>
<b>Valuation Methodology:</b>	<p>In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised Property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the Property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.</p>
<b>Others:</b>	<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

20 October 2021

**MREIT, INC.**

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

**PRIVATE & CONFIDENTIAL**

Our ref: L21-1007-248R

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 6 October 2021 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", "you" or "your").

**2. Purpose of Valuation**

The Valuation is provided solely for possible asset infusion of certain Properties owned by Megaworld Corporation ("Megaworld") to MREIT (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. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in Client's disclosure with Securities and Exchange Commission and The Philippine Stock Exchange.



Proposal for Valuation Service: **MREIT, INC.**  
20 October 2021

Our Ref: L21-1007-248R  
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### 3. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover four (4) Office Commercial Buildings as follows:

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

Please refer to Annex A for the detailed description of the properties. The Valuation shall exclude all other properties not specified in this Letter.

### 4. Valuation Date

The Valuation Date will be current or as at the agreed date of Valuation.

### 5. Valuation Standards

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

### 6. 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.

### 7. 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.

### 8. 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.



Proposal for Valuation Service: **MREIT, INC.**  
20 October 2021

Our Ref. L21-1007-248R  
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#### 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 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.

#### 9. Basis of Valuation

The Valuation will be undertaken on the basis of 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."

#### 10. 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.

#### 11. 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. Conduct site inspection, identify the Properties and their property type;
- b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the Valuation;
- c. Collect, verify and analyse all available information applicable to the Valuation;
- d. Document the details of the Valuation procedures and the various assumption and parameters used in the Valuation;
- e. Analyse and apply the appropriate approach/es to value;
- f. 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;
- g. Submit the Valuation Report with the indicated values as at the agreed Valuation date.

#### 12. 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.



Proposal for Valuation Service: **MREIT, INC.**  
20 October 2021

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- 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 the Income approach only.

### 13. Reporting Currency

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

### 14. Extent of Inspection and Investigations

We will carry out ocular inspections with no restrictions within four to five (4-5) working days after receipt of this signed Agreement, remittance of required initial payment and complete requirements.



Proposal for Valuation Service: **MREIT, INC.**  
20 October 2021

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## 15. Required Information

The list of required Information to undertake the Valuation are as follows:

### A. Cost Approach

1. Project Details - Name, Address, No. of Actual Floors, Building Grade, Building Certifications (PEZA, LEED, BERDE, etc.), Lot Area Allocation of the Building
2. Floor Area Tabulation (in SQM) - Total Gross Floor Area, Gross Leasable Area, Net Leasable Area - in per floor basis
3. Tabulated list of TCTs & CCTs
4. Scope of major renovations done on the buildings, if any.
5. Date of construction of the buildings
6. List of Building Machinery and Equipment with technical description
7. Site Development Plan with dimensions
8. Development Masterplan
9. Lot Plan (should show the allocated area occupied by the property if it is erected on an unsegregated portion of a land)
10. Land Lease Contract (if land is under leasehold)
11. Letter of Authority to Inspect with Names & Mobile Nos of On-site contact person

### B. Income Approach

1. Current office/retail rent roll - floor area, tenant, tenant industry profile (i.e. BPO, POGO, Traditional, Retail (Food, Non-food), etc.), lease contract dates (start and end), lease rates, escalation rates,
2. For Properties with POS lease income, provide historical and projected sales (if to be included in projections)
3. Current parking rent roll - no. of parking slots, lease contract dates (start and end), lease rates, escalation rates,
4. Detailed Historical Income Statement for each property - past 5 years
5. Audited Financial Statement - past 5 years
6. Detailed Expenses - historical and projected (past 5 years and next 5 years)
7. Detailed Projected Financials - 5 years
8. Current, Historical and Projected CUSA (per SQM) - past 5 years and next 5 years
9. Basis of CUSA and Breakdown of Expenses
10. CUSA Treatment - incorporation & REIT listing
11. CAPEX Projections
12. Unredacted Current Lease Contracts
13. Unredacted Land Lease Contract (if land is under leasehold)
14. Occupancy Rates for Office & Parking Slots - current, historical and projected
15. Other information or documents deemed necessary for the Valuation





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.

#### 17. Report Format

The Advance Summary Valuation Report will be presented in Microsoft Excel format and the Draft and Final Valuation Reports will be in narrative format compliant with IVS. The Draft and Final Valuation Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.





#### 19. 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.

#### 20. 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.



## 21. 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 J. LUNA, CFC®**  
Director & Head of Valuations  
[Mabel.Luna@santosknightfrank.ph](mailto:Mabel.Luna@santosknightfrank.ph)  
M (63-917) 865 3712

Approved and agreed to by:  
**MREIT, INC.**



**KEVIN ANDREW L. TAN**  
President and Chief Executive Officer  
Date: October 20, 2021

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 - Master Development Plan

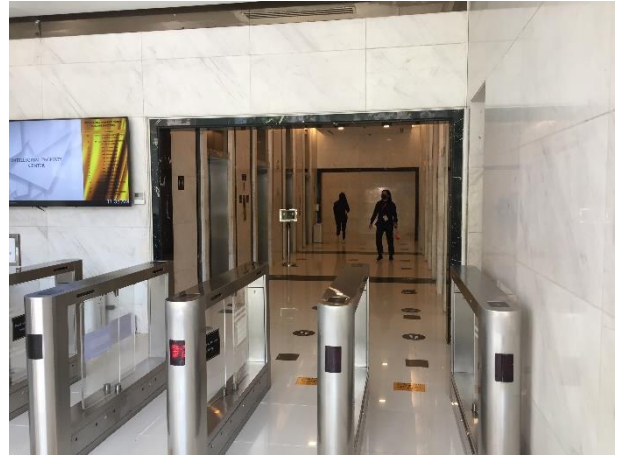




## Appendix 5 - Photographs



Ground Floor Lobby



Hallway at Ground Floor



Outside View





Hallway for Office Area



Roof Deck

## MACHINERY & EQUIPMENT



Air Ventilation and Exhaust System



Electric Generators





Power Transformer



Water Transfer Pump



**MREIT, INC.**  
as of 30 September 2021

## Appendix 6 - Valuation Calculation (Income Approach - DCF)

<b>PROPERTY NAME</b>	:	<b>WORLD FINANCE PLAZA</b>
	:	<b>(aka INTELLECTUAL PROPERTY CENTER)</b>
<b>PROPERTY ADDRESS</b>	:	Upper McKinley Rd., McKinley Hill Cyberpark, Fort Bonifacio, Taguig City
<b>OCCUPANCY RATE</b>	:	99.76%
<b>Lot Area</b>	:	2,292.00 sq.m.

### PROJECTED FINANCIALS

	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.00	Terminal Year
	October 2021 - December 2021	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 - September 2031	January 2032 - December 2032
<b>INCOME REVENUES</b>												
<b>RENTAL INCOME</b>												
Commercial Leasing Revenues (Office & Retail)	73,855,449	299,261,375	315,037,196	326,583,787	321,389,731	331,675,501	347,552,530	363,970,252	379,601,679	386,155,019	300,766,310	421,821,578
Signage Leasing Revenues	623,533	2,534,648	2,661,380	2,748,260	2,654,726	2,787,463	2,926,836	3,073,178	3,200,169	3,226,837	2,534,172	3,557,587
Gross Leasing Revenues	74,478,983	301,796,023	317,698,576	329,332,047	324,044,458	334,462,963	350,479,366	367,043,430	382,801,848	389,381,855	303,300,482	425,379,165
Less: Vacancy Allowance	1,477,109	5,985,228	6,300,744	6,531,676	6,427,795	6,633,510	6,951,051	7,279,405	7,592,034	7,723,100	6,015,326	8,436,432
<b>Net Leasing Revenues</b>	<b>73,001,874</b>	<b>295,810,795</b>	<b>311,397,832</b>	<b>322,800,371</b>	<b>317,616,663</b>	<b>327,829,453</b>	<b>343,528,315</b>	<b>359,764,025</b>	<b>375,209,814</b>	<b>381,658,755</b>	<b>297,285,156</b>	<b>416,942,733</b>
<b>OTHER INCOME (CUSA)</b>												
CUSA Revenues	10,235,353	41,419,802	42,248,198	43,093,162	43,955,025	44,834,126	45,730,808	46,645,424	47,578,333	48,529,900	37,023,660	50,490,507
CUSA Costs and Expenses	8,526,049	34,502,695	35,192,749	35,896,604	36,614,536	37,346,827	38,093,763	38,855,639	39,632,751	40,425,406	30,840,709	42,058,593
<b>Net Other Income</b>	<b>1,709,304</b>	<b>6,917,107</b>	<b>7,055,449</b>	<b>7,196,558</b>	<b>7,340,489</b>	<b>7,487,299</b>	<b>7,637,045</b>	<b>7,789,786</b>	<b>7,945,582</b>	<b>8,104,493</b>	<b>6,182,951</b>	<b>8,431,915</b>
<b>TOTAL REVENUES</b>	<b>74,711,178</b>	<b>302,727,902</b>	<b>318,453,281</b>	<b>329,996,929</b>	<b>324,957,152</b>	<b>335,316,752</b>	<b>351,165,360</b>	<b>367,553,811</b>	<b>383,155,396</b>	<b>389,763,248</b>	<b>303,468,107</b>	<b>425,374,648</b>
<b>OPERATING COSTS &amp; EXPENSES</b>												
<b>BUILDING OPERATING COSTS &amp; EXPENSES</b>												
<b>Direct Operating Expenses</b>												
CUSA Expense	204,707	828,396	844,964	861,863	879,101	896,683	914,616	932,908	951,567	970,598	740,473	1,009,810
Real Property Taxes	447,505	1,864,197	1,957,407	2,055,278	2,158,041	2,265,943	2,379,241	2,498,203	2,623,113	2,754,268	2,163,044	3,036,581
Land Lease	-	-	3,892,473	8,070,009	11,910,625	16,391,473	17,176,416	17,988,201	18,760,491	19,082,938	14,864,258	20,847,137
<b>Other Operating Expenses</b>												
General and Admin Expense	5,229,782	21,190,953	22,291,730	23,099,785	22,747,001	23,472,173	24,581,575	25,728,767	26,820,878	27,283,427	21,242,768	29,776,225
Business Tax	1,120,668	4,540,919	4,776,799	4,949,954	4,874,357	5,029,751	5,267,480	5,513,307	5,747,331	5,846,449	4,552,022	6,380,620
<b>BUILDING OPERATING COSTS &amp; EXPENSES</b>	<b>7,002,662</b>	<b>28,424,465</b>	<b>33,763,373</b>	<b>39,036,889</b>	<b>42,569,125</b>	<b>48,056,023</b>	<b>50,319,328</b>	<b>52,661,386</b>	<b>54,903,379</b>	<b>55,937,680</b>	<b>43,562,564</b>	<b>61,050,373</b>
<b>NET OPERATING INCOME</b>	<b>67,708,516</b>	<b>274,303,437</b>	<b>284,689,908</b>	<b>290,960,040</b>	<b>282,388,028</b>	<b>287,260,730</b>	<b>300,846,032</b>	<b>314,892,425</b>	<b>328,252,017</b>	<b>333,825,568</b>	<b>259,905,543</b>	<b>364,324,275</b>
CAPEX	2,241,335	9,081,837	9,553,598	9,899,908	9,748,715	10,059,503	10,534,961	11,026,614	11,494,662	11,692,897	9,104,043	
<b>NOI after CAPEX</b>	<b>65,467,180</b>	<b>265,221,600</b>	<b>275,136,310</b>	<b>281,060,132</b>	<b>272,639,313</b>	<b>277,201,227</b>	<b>290,311,071</b>	<b>303,865,810</b>	<b>316,757,355</b>	<b>322,132,670</b>	<b>250,801,500</b>	
Discount Rate/ Present Worth Factor	9.0%	0.98	0.90	0.82	0.76	0.69	0.64	0.58	0.54	0.49	0.45	0.42
Present Worth of Cashflows	64,060,468	238,094,227	226,600,772	212,366,605	188,994,410	176,290,590	169,383,492	162,653,279	155,554,005	145,131,861	105,941,264	
Total Present Worth of Cashflows	1,845,070,972											
Terminal Value of Property at 11Y	4.5%	8,096,095,005										
Discounted at	0.42	3,419,878,024										
<b>TOTAL PROPERTY VALUE</b>	<b>5,264,948,996</b>											
<b>Rounded to, say</b>	<b>5,265,000,000</b>											

Valuation report | World Finance Plaza, Upper McKinley Road, Taguig City | 2021-01-IA  
Prepared for: MREIT, Inc. | 30 September 2021

Appendices 18

# PROFESSIONAL PROFILE

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**WENCESLAO D. FUENTES, JR.**  
Director

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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

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**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

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## **BRIG NOLI M. ROSANES**

### **APPRAISER**

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Brig Noli M. Rosanes is one of the Appraisers under the Valuations Group of Santos Knight Frank, Inc., responsible for handling Real Estate Valuation assignments of the Company.

Prior to joining Santos Knight Frank, Inc., Mr. Rosanes was involved with Asian Appraisal Company Inc. He started there as Assistant Appraiser then got promoted after six (6) months as full time Staff Appraiser in September 2018. During his three (3) years experience in his field, he has gained immense experience in real estate valuation project concerning all types of real estate properties including residential properties, commercial estate, farm estate, industrial estate and light transportation and equipment. He is now currently expanding his expertise and had likewise gained an expansive experience in personnel management and development of client relations.

- Bachelor of Science in Civil Engineering, Technological Institute of the Philippines - Manila