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SECTION 1

REIT Overview

REIT Overview

- A Real Estate Investment Trust (REIT) is a stock corporation . . . principally organized for the purpose of owning income-generating real estate assets. (Republic Act No. 9856 or REIT Act of 2009)

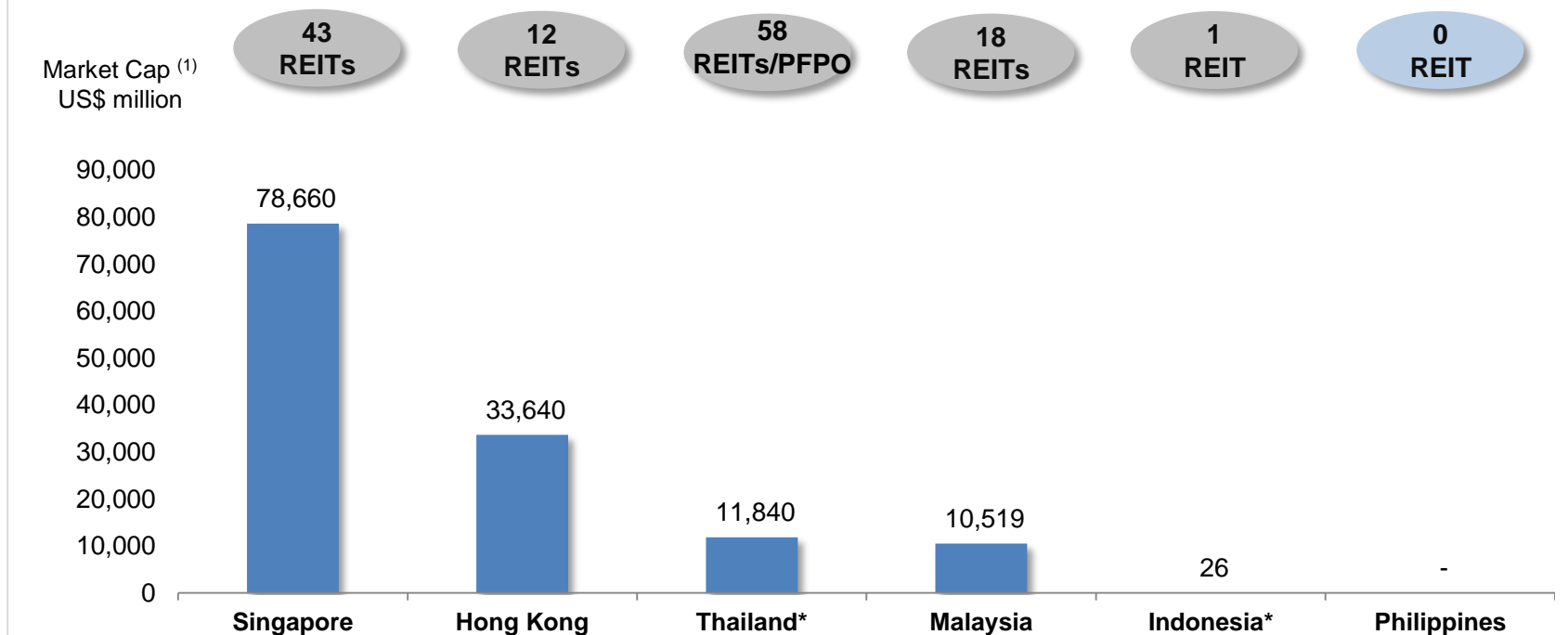


Features of a REIT

- Equity product with a **defined yield** and **capital gains potential**
- Investors gain a **direct participation** in **income-generating real estate properties or businesses**
- **Portfolio diversification** through an investment in a pool of properties
- **Income diversification** through cash flows secured by long-leases with staggered expiry profile and various end-users
- Stable and regular dividends under a **definite distribution policy**
 - REITs are **required to distribute at least 90%** of their distributable income
- **Liquidity** from listing/trading of shares on the PSE
- Professionally-managed **through independent REIT management entities (Fund and Property Managers)**

Asian/ASEAN REIT Market Comparison

- REITs have been in Asia for more than 18 years
- Philippines has lagged behind. While there has been a legislation in place since 2009, there have been no REIT issuance nor listing
- Better current IRRs provide the impetus to the launch of REITs in the Philippines



REIT Indices Performance

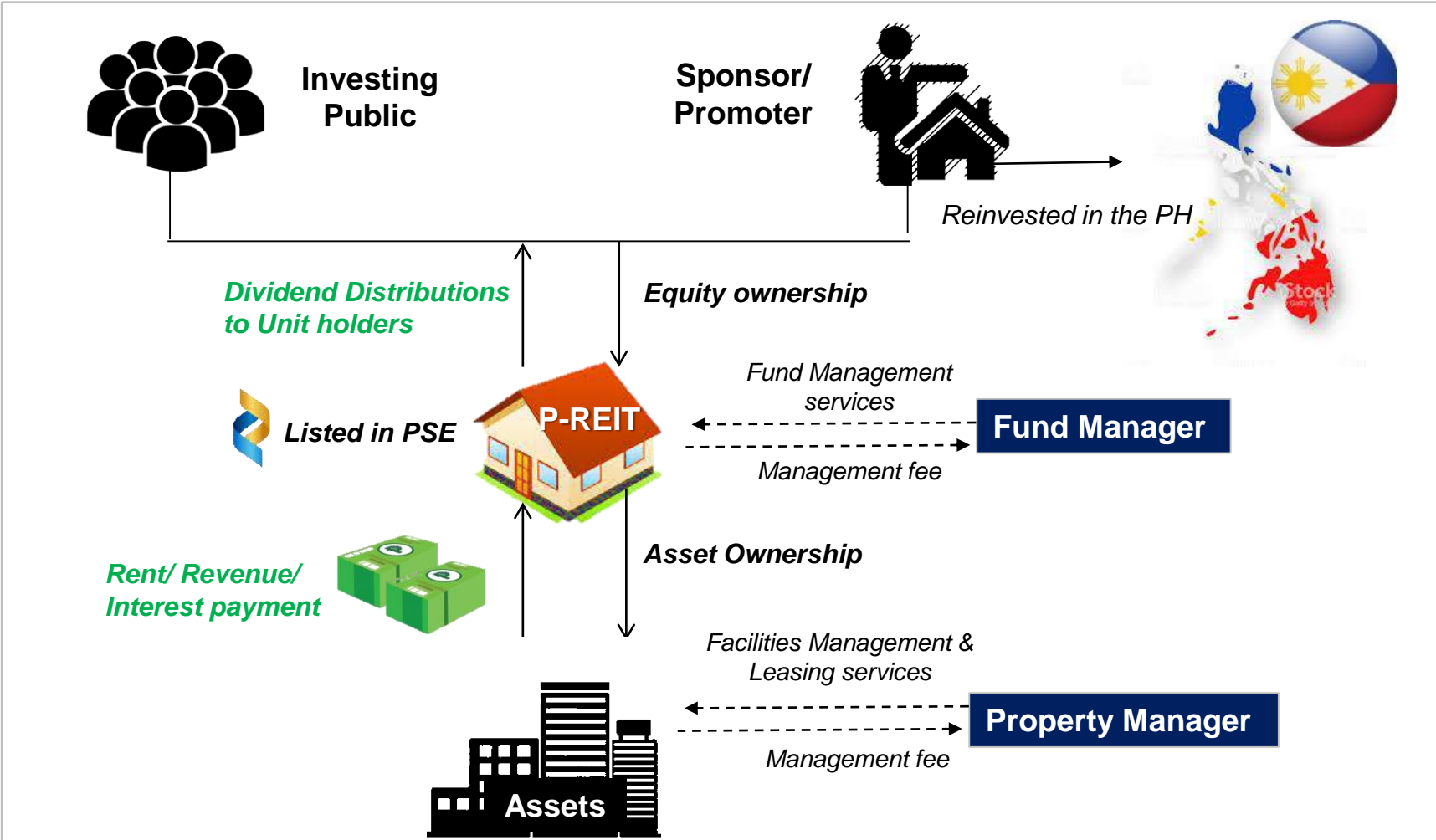
Region	Index	Closing	1W Return	1M Return	3M Return	YTD Return	1Yr Return	52W High	52W Low
REIT Indices									
USA	DowJ US REIT	2,251	2.6%	6.3%	1.7%	2.1%	24.0%	2,259	1,801
Japan	Tokyo SE REIT	2,158	1.2%	2.2%	-3.6%	0.6%	19.4%	2,262	1,798
Australia	S&P AUS REIT	1,665	2.7%	3.6%	2.4%	6.2%	16.1%	1,716	1,430
Singapore	FTSE ST REIT	960	2.2%	6.5%	2.7%	4.0%	18.1%	960	810
Hong Kong	Hang Seng REIT	7,540	2.3%	4.2%	2.0%	2.0%	-0.8%	8,679	7,080



Why REITs are expected to take off in the Philippines

- ✓ **Positive economic outlook** driven by strong fundamentals
- ✓ Metro Manila's real estate investment and development prospects are **viewed favorably** compared to other emerging economies in the region
- ✓ Market values and rental revenues for commercial property in Manila are **growing at a robust pace.**
- ✓ **Substantial inventory** of prime, mature, good quality commercial properties that are "REIT-able"
- ✓ **Significant growth** in the **outsourcing/offshoring** sector driving demand for new commercial real estate
- ✓ Developers need to **diversify funding sources** to finance new projects and land banking activities
- ✓ A **new asset class** that market participants have been looking for

REIT Transaction Flow



SECTION 2

Benefits of REIT Platform

Benefits of REIT Platform

Benefits to Investors

- Participation in a **new asset class**
- At least **90% of distributable income** to be distributed as dividends
 - Provides investors with **current cash flow returns/yield**
- Opportunity to own **equity interest in income-producing real estate**
- **Diversification** of investment portfolio
- **Liquidity** – listed in the stock exchange

Benefits to Sponsors

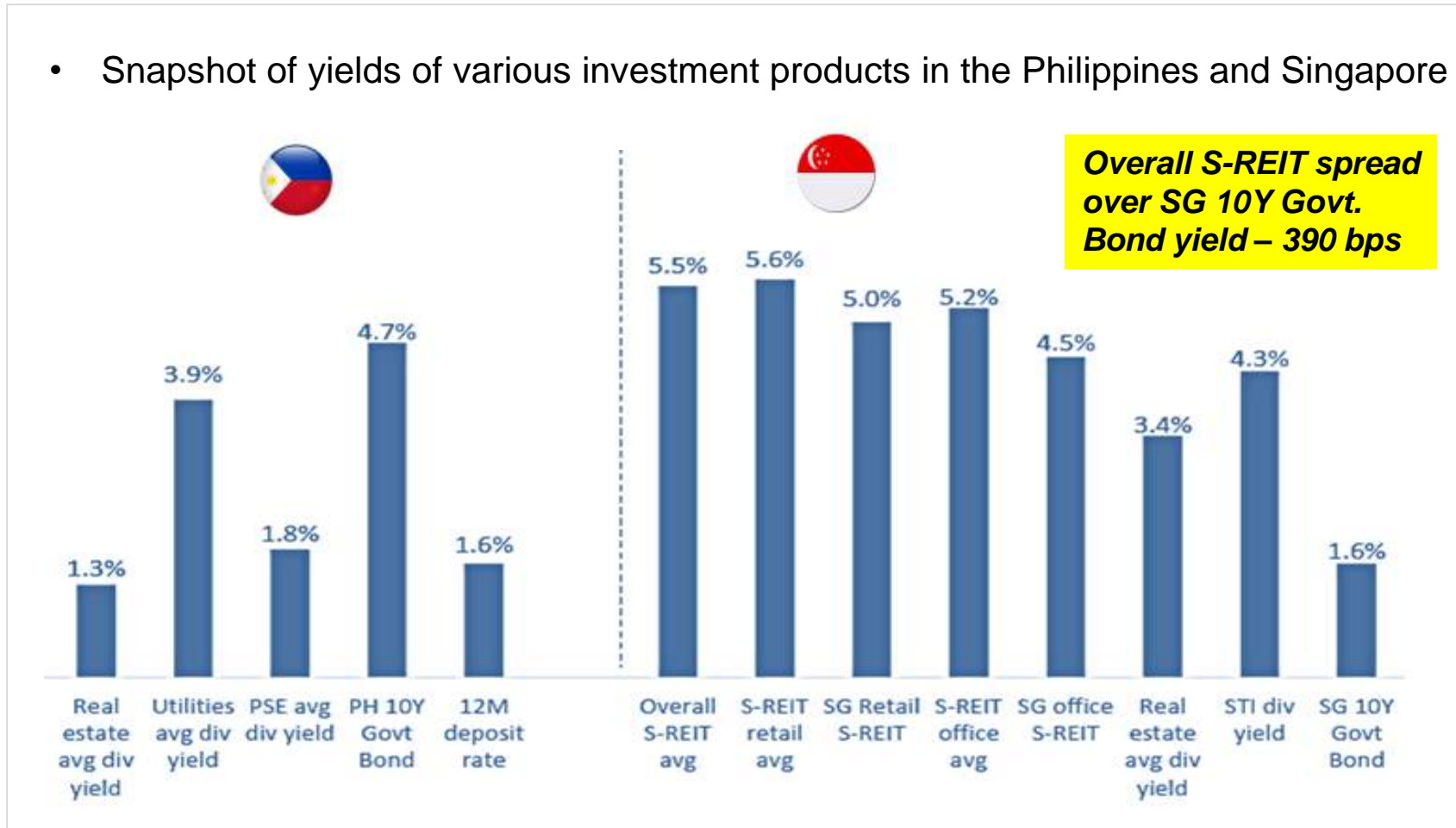
- Ready **access to capital**
- **Tax and liquidity benefits**
- Marketing advantages and **seal of good housekeeping**
- **Recycle capital without loss of control**
 - Can still consolidate REIT into Sponsor/Parent financials

SECTION 3

REIT Pricing - Benchmarking

Investment Options Available to Investors

- Snapshot of yields of various investment products in the Philippines and Singapore



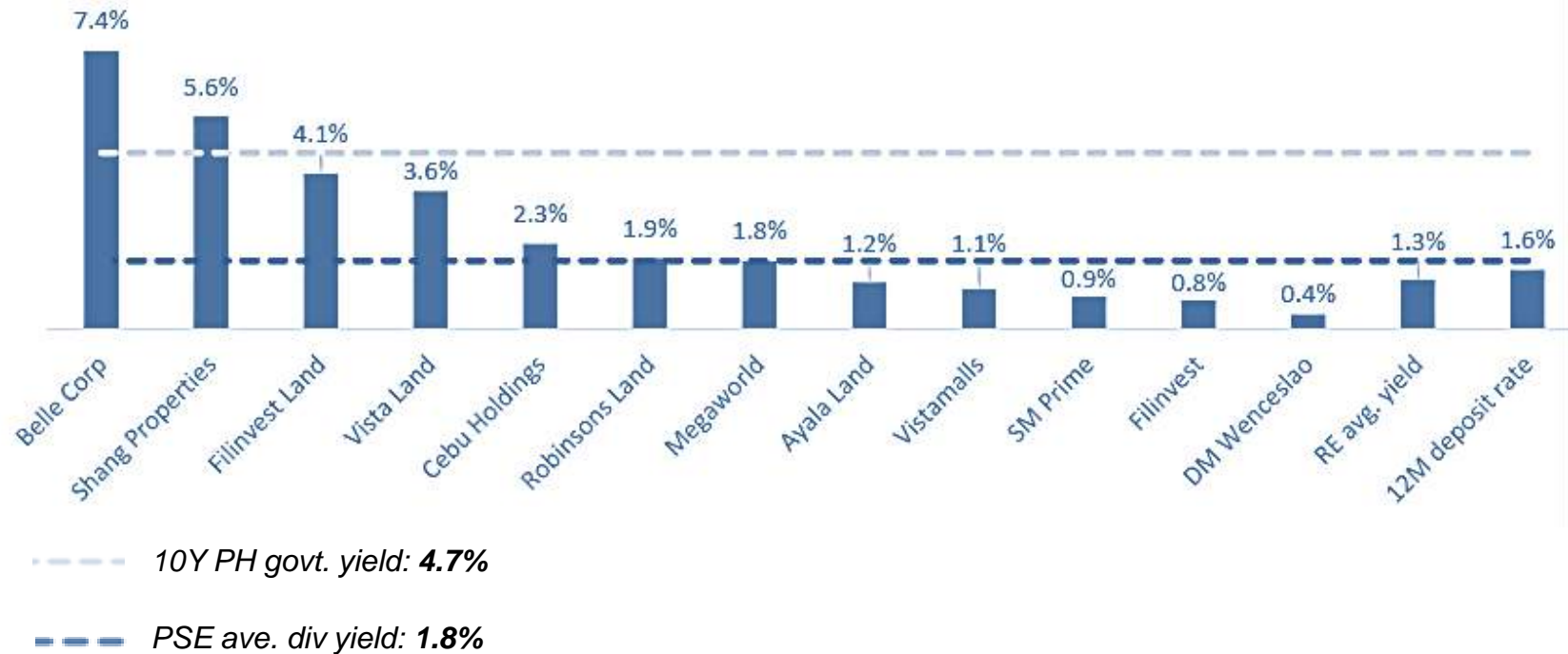
S-REIT Benchmarked against Risk-Free Rate



Investment Options Available to Investors

- Snapshot of dividend yields of listed property companies in the Philippines

Real Estate developers



Pricing and Allocation Strategy



- Partner with underwriter for investor meetings
- Identify potential common concerns
- Address investor concern

- Introduce potential cornerstone investors to management
- Generate early demand momentum
- Feedback on valuation parameters

- Briefing and Investor meetings
- Educate investors on the attractiveness of the equity story
- Refine target institutional investor base

- 1 on 1 investor meetings
- Management global roadshow
- Generate demand and pricing tension

- Optimal price
- Ensure robust aftermarket performance
- Allocate to institutional and retail investors

Incorporate viewpoints on marketability and critical issues

Generate early demand momentum

Broad marketing exposure and gather valuation feedback

Convert indications of interest into orders

Maximize proceeds and support aftermarket price

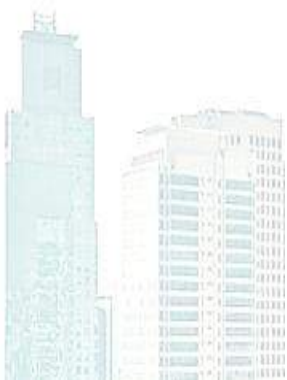
Pricing and Allocation Strategy

Our Target

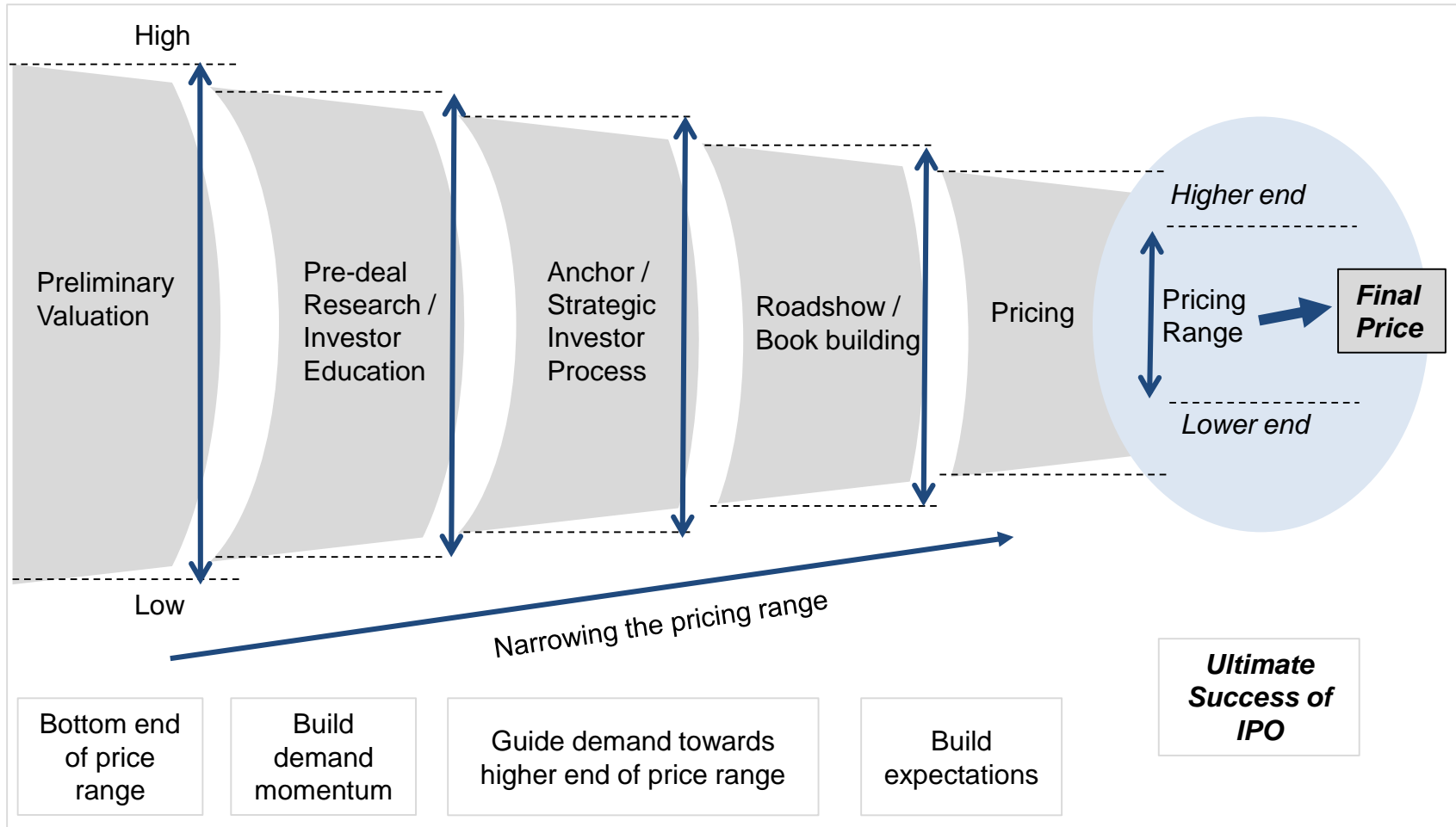
Maximize size, **optimize** price with strong aftermarket performance

Our Strategy

1. Set the price range in order to create **strong initial momentum** and **optimize demand**
2. Obtain initial orders from **high quality investors**
3. **Drive over-subscription** by high quality investors to create demand tension
4. Price range should be **reasonable** to ensure the final price sits in the upper half of the range
5. Price at the level that **ensures support/demand from investors** and maintain **healthy aftermarket performance**



Pricing and Allocation Strategy



SECTION 4

Key Considerations

Key Selection Parameters

Asset fundamentals

- To analyze following key factors to determine asset allocation



Operational track record and stability of asset

- Operational performance: **Mature business that has achieved stable cashflows**
- Offtake/customer: **Quality and reputation is critical**
- Unsuitable assets:**
 - Recently developed
 - Recently acquired assets from third parties
 - Assets which have significant asset enhancement plans in the near future

Key Selection Parameters

Control	<ul style="list-style-type: none">• Asset and the land should <u>preferably be owned</u> by the Sponsor• Minority control assets should be excluded• Ability to declare and repatriate the dividends• Stability of political, legal and regulatory jurisdictions
Valuation	<ul style="list-style-type: none">• Metrics considered: Historical operating performance, book value and indicative valuation [e.g. revenue to asset value]
Others	<ul style="list-style-type: none">• Restrictions: Any legal and/or regulatory restrictions• Diversification: To mitigate single concentration risks• Management: Formation of asset management team

Formation of REIT to be “Successful”

- **High Quality Property Assets**
 - ✓ Mature, good quality real estate in **prime locations**
 - ✓ **Stable rental income** from reliable and well-diversified tenant base
 - ✓ **Strong demand** relative to supply over a foreseeable period of time
- **Potential for Growth**
 - ✓ **Room for revenue growth** through asset enhancements, rent reversions and other developments
 - ✓ Extensive and identified pipeline of Sponsor’s assets awaiting future injection
 - ✓ Third-party assets available through business network of the Sponsor
- **Valuation of Assets to be injected into REIT**
 - ✓ Assets are injected into the REIT at a level that investors consider to be **fair/attractive and provide an upside**

Formation of REIT to be “Successful”

- **Valuation of Assets to be injected into REIT**
 - ✓ Yield should represent an acceptable spread over the risk-free rate, allowing for global evaluation and participation by foreign investors
- **Competent Fund Manager**
 - ✓ Proven track record in the area of fund management, corporate finance, other relevant finance-related functions, property management or in the development of real estate industry
- **Capable Property Manager**
 - ✓ Experienced asset management team with a track record of successful development, management and leasing out activities
 - ✓ Tapping external expertise, if necessary, through hiring or joint venture
- **Timing**
 - ✓ Historically low interest rates make investments in real estate very attractive

SECTION 5

Case Study – Capital Land Singapore

Case Study – Capital Land Singapore

Company name	Year	Ticker	Focus	Yield	Offer Size (in S\$Millions)
Capital Land Mall Trust	2002	CMT	Shopping center / Mall	7.53%	204.5
Capital Land Commercial Trust	2004	CCT	Office	3.26%	580.0
Ascott Residence Trust	2006	ART	Residences/Rental housing/Hotel	9.00%	231.5
Capital Land Retail China Trust	2007	CRCT	Pure-play China retail Malls	5.80%	218.4



Mall Trust

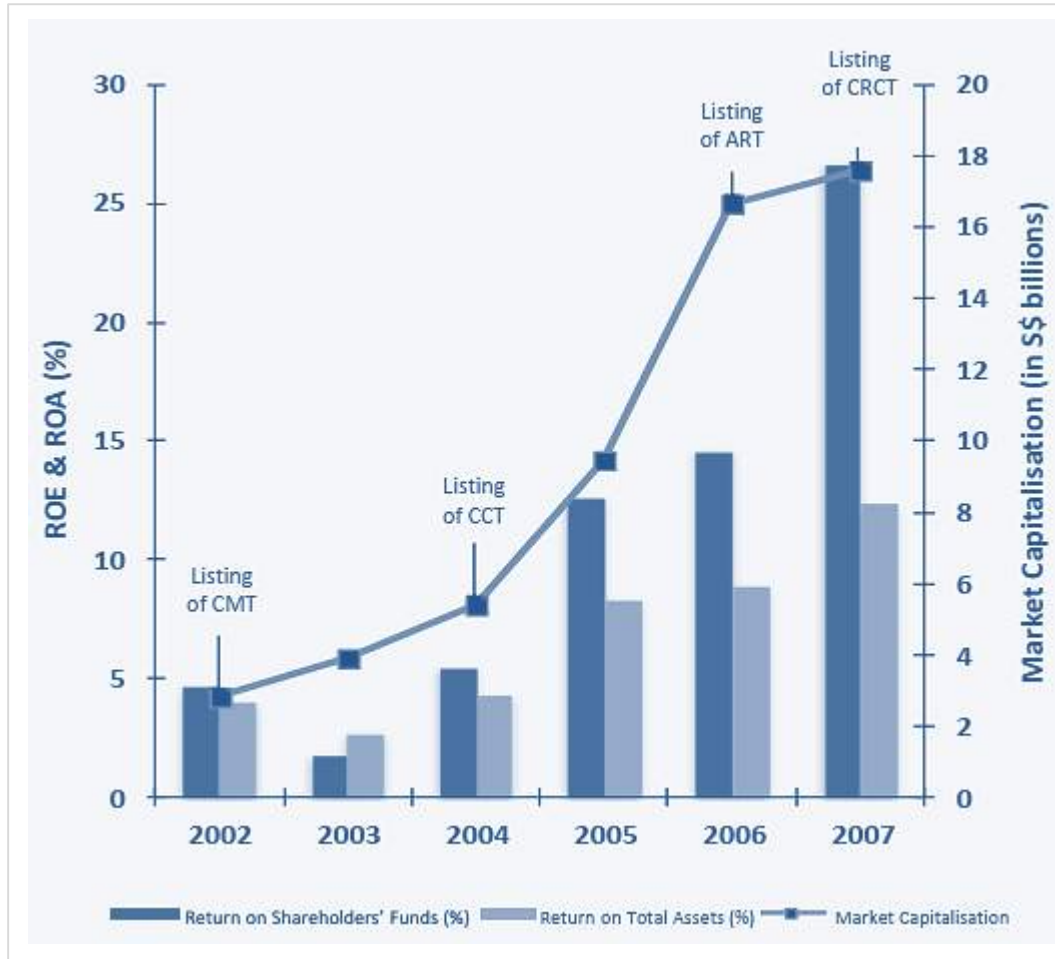


Commercial Trust



Retail China Trust

Case Study – Capital Land Singapore



- Transfer of assets to the REIT will enhance capital productivity by releasing scarce capital previously locked-up in the holding of properties
- The company's ROE and ROA increases due to realization of gains from the sale of properties, reduced ownership of capital-intensive investment properties and earning of fee-based income from the management of the trust

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THANK YOU!

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