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(Company's Full Name)

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(Business Address; No. Street City / Town / Province)

c/o Atty. Katrina O. Clemente-Lua
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Contact Person

7918-8188
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Company Telephone Number

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Month

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Fiscal Year

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FORM TYPE

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Annual Meeting

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Secondary License Type; If Applicable

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Amended Articles Number / Section

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Total No. of Stockholders

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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**Performance Report for the Third Quarter of 2022**

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14 November 2022

This document was prepared by FREIT Fund Managers, Inc. (FFMI) for Filinvest REIT Corp. (FILRT or the “Company”) in compliance with the reportorial requirements of the REIT Implementing Rules & Regulations under Republic Act No. 9856.

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**A. FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

**a.1 Statement of Financial Position**

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 2,250,752,298	P2,587,195,631
Receivables	815,348,105	754,995,633
Other current assets	164,168,731	64,054,931
<b>Total Current Assets</b>	<b>3,230,269,134</b>	<b>3,406,246,195</b>
<b>Noncurrent Assets</b>		
Advances to contractors	10,664,868	13,293,694
Investment properties	9,082,468,413	9,165,931,034
Property and equipment	52,750,884	81,686,898
Intangible assets	1,013,500,160	1,054,470,180
Other noncurrent assets	241,404,929	250,528,341
<b>Total Noncurrent Assets</b>	<b>10,400,789,253</b>	<b>10,565,910,147</b>
<b>Total Assets</b>	<b>P 13,631,058,386</b>	<b>P13,972,156,342</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	P 1,357,927,420	P1,222,657,329
Current portion of:		
Lease liabilities	1,964,745	1,848,085
Security and other deposits	169,925,906	96,987,598
Bonds payable	5,996,761,237	-
<b>Total Current Liabilities</b>	<b>7,526,579,308</b>	<b>1,321,493,012</b>
<b>Noncurrent Liabilities</b>		
Bonds payable	-	5,987,044,949
Lease liabilities - net of current portion	26,244,010	25,990,097
Security and other deposits - net of current portion	589,776,909	654,002,829
<b>Total Noncurrent Liabilities</b>	<b>616,020,919</b>	<b>6,667,037,875</b>
<b>Total Liabilities</b>	<b>8,142,600,228</b>	<b>7,988,530,887</b>
<b>Equity</b>		
Capital stock	2,446,388,997	2,446,388,997
Additional paid-in capital	2,518,356,922	2,518,356,922
Retained earnings	523,712,240	1,018,879,536
<b>Total Equity</b>	<b>5,488,458,159</b>	<b>5,983,625,455</b>
<b>Total Liabilities and Equity</b>	<b>P 13,631,058,386</b>	<b>P13,972,156,342</b>

- i. Total assets of the company generally declined from Dec 2021 balances due to depreciation and amortization of its investment properties and BTO rights.
- ii. The Bonds payable is reclassified from long term liabilities to current liabilities.

Amount : PhP 6.0 billion  
Interest : at rate of 5.05% per annum (fixed rate), payable quarterly  
Maturity date : January 7, 2023  
Rating : PRS Aaa

Management is currently evaluating its options on refinancing the bonds which can be thru issuance of a new bonds or bilateral term loans.

**a.2 Statement of Comprehensive Income**

	Quarter Ended September 30		Nine Month Period Ended September 30	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b>REVENUES</b>				
Rental income	630,689,350	628,573,192	1,866,269,777	2,026,759,526
Others	191,500,356	207,430,324	597,000,457	709,701,658
	<u>822,189,706</u>	<u>836,003,516</u>	<u>2,463,270,234</u>	<u>2,736,461,183</u>
<b>COST AND EXPENSES</b>				
Utilities	73,792,843	68,615,505	204,445,218	220,616,306
Depreciation and amortization	98,471,066	101,157,914	314,184,468	333,588,910
Rental expense	67,921,751	68,540,996	198,976,711	207,441,819
Manpower and service cost	40,852,790	38,913,101	121,843,569	148,873,762
Repairs and maintenance	39,464,504	30,782,389	109,594,569	124,425,830
Taxes and licenses	19,641,861	27,881,893	57,328,709	69,355,829
Insurance	5,468,529	2,091,038	5,942,024	12,618,309
Service and management fees	58,109,525	29,449,323	167,463,937	49,088,499
Others	(1,686,793)	2,474,788	6,085,048	6,206,923
	<u>402,036,076</u>	<u>369,906,947</u>	<u>1,185,864,253</u>	<u>1,172,216,187</u>
<b>OTHER INCOME (CHARGES)</b>				
Gain on derecognition of lease liabilities	-	104,007,918	-	189,183,041
Interest income	6,230,065	5,338,880	15,336,758	6,559,185
Interest and other financing charges	(81,266,181)	(81,255,458)	(241,252,826)	(266,974,562)
Other income (charges) - net	(200,698)	(123,434)	(539,362)	(1,359,775)
	<u>(75,236,814)</u>	<u>27,967,906</u>	<u>(226,455,430)</u>	<u>(72,592,111)</u>
<b>INCOME BEFORE INCOME TAX</b>	<b>344,916,816</b>	<b>494,064,475</b>	<b>1,050,950,551</b>	<b>1,491,652,885</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	-	(45,029,552)	-	62,852,579
Deferred	-	(109,071,390)	-	(269,648,113)
		<u>(154,100,942)</u>	<u>-</u>	<u>(206,795,534)</u>
<b>NET INCOME</b>	<b>344,916,816</b>	<b>648,165,417</b>	<b>1,050,950,551</b>	<b>1,698,448,419</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(1,064,328)</b>	<b>-</b>	<b>(1,127,328)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>344,916,816</b>	<b>647,101,086</b>	<b>1,050,950,551</b>	<b>1,697,321,091</b>
<b>Basic/Diluted Earnings Per Share</b>	<b>0.07</b>	<b>0.13</b>	<b>0.21</b>	<b>0.53</b>

The company transitioned to be a REIT company in Aug 12 2021, upon its IPO. As such the company's performance in 2021, still included non-REIT buildings, On the operating expenses, notable to mention is the increase in utilities cost for this quarter, due to higher power costs.

Earnings per share for the quarter ended September 30, 2022 showed a big variance from that of 2021 since there were still non-REIT assets included in the company's financial results until Aug 12, 2021. On the other hand, the company's issued capital stock underwent a stock split approved by the SEC in July 2, 2021. The IPO also resulted to issuances of 2.5 million additional shares. Refer also to item a.5

As a REIT entity, the Company is subject to externally imposed capital requirements from its debt covenants and based on the requirements of the Aggregate Leverage Limit under the REIT Implementing Rules and Regulations. Thus, the Company has made adjustments to its policies and processes for managing capital for the year ended December 31, 2021. Per Section 8 of the REIT Implementing Rules and Regulations issued by the SEC, the total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its Deposited Property; provided, however, that the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its Deposited Property. Provided, further, that in no case shall a Fund Manager, borrow for the REIT from any of the funds under its management

As of September 30, 2022, the outstanding bonds payable is P5,997 million over to the fair value of the assets amounting to P52,221 million, resulting fair value debt ratio of 11.5%. The Company is compliant with this Aggregate Leverage Limit.

**a.3 Income from Related Parties for the three months ended September, 2022**

<b>Affiliate</b>	<b>Amount</b>
FESTIVAL SUPERMALL INC.	656,786
FILINVEST ALABANG, INC.	29,200,943
FILINVEST LAND, INC.	9,359,487
FILINVEST HOSPITALITY CORPORATION	1,798,979
CHROMA HOSPITALITY INC.	1,803,119
CORPORATE TECHNOLOGIES INCORPORATED	616,522
<b>Total</b>	<b>43,435,836</b>

**a.4 Statement of Cash Flows for the year to date Ended 30 September 2022**

	<b>Nine Months Period Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	1,050,950,550	1,491,652,885
Adjustments for:		
Depreciation and amortization	226,032,297	333,588,910
Interest expense and other financing changes	241,252,826	266,974,563
Gain on derecognition of lease liability	-	(189,183,041)
Interest income	(15,336,758)	(5,871,502)
<b>Operating income before changes in operating assets and liabilities</b>	<b>1,502,898,915</b>	<b>1,897,161,815</b>
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in:		
Receivables	(60,352,472)	784,200,472
Other current assets	(100,113,800)	1,053,752,024
Increase (decrease) in:		
Accounts payable and accrued expenses	268,015,384	(466,250,831)
Other current liabilities	85,093,613	-
Security and other deposits	11,373,587	(100,422,281)
Other noncurrent liabilities	(222,654,330)	(297,977,429)
<b>Net cash generated from operations</b>	<b>1,484,260,896</b>	<b>2,870,463,770</b>
Interest received	15,336,758	5,871,502
Income tax paid	-	(21,872,968)
<b>Net cash provided by operating activities</b>	<b>1,499,597,654</b>	<b>2,854,462,304</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Investment properties	(76,692,126)	(76,018,780)
Intangible assets	(3,322,315)	(30,135,311)
Property and equipment	26,190,500	(15,850,526)
Decrease (increase) in:		
Advances to contractors	2,628,826	14,725,327
Other noncurrent assets		134,795,434
<b>Net cash provided by (used) in investing activities</b>	<b>(51,195,115)</b>	<b>27,516,145</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments of:		
Principal portion of lease liability	-	(13,304,852)
Interest and transaction cost	(238,728,026)	(248,690,519)
Dividends Payable	(1,546,117,846)	(547,991,131)
Increase of Capital Stock		(47,831,415)
<b>Net cash provided by (used) in financing activities</b>	<b>(1,784,845,872)</b>	<b>(857,817,916)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(336,443,334)</b>	<b>2,024,160,533</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,587,195,631</b>	<b>870,517,532</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>2,250,752,297</b>	<b>2,894,678,065</b>

The cash and cash equivalents have no restrictions and is available for any corporate and operations purposes of the company including asset acquisition,

**a.5 Financial Performance Indicators as of 30 September 2022**

Financial Ratios	Particulars	Period ended September 30, 2022	Period ended Dec. 31, 2021
Earnings per Share	<u>Net Income</u> Weighted Ave. number of outstanding shares	0.29* [*annualized]	0.53
Current Ratio	<u>Current Asset</u> Current Liabilities	0.43: 1	2.58: 1
Debt Ratio based on Cost	<u>Total liabilities</u> Total assets	60%	57%
Debt Ratio based on FMV of Deposited Properties	<u>Debt (Loans payable + Bonds Payable)</u> Total assets plus fair value adjustment of deposited properties and investible funds held less total liabilities	11.5%	11.4%
Debt to Equity Ratio	<u>Debt (Loans Payable + Bonds Payable)</u> Total Stockholder's Equity	1.10: 1	1.01: 1
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	<u>IBITDA</u> Total interest paid	6.67	7.84
Quick Asset Ratio	<u>Current assets – Inventories</u> <u>Current liabilities</u>	0.43: 1	2.58: 1
Solvency ratio *annualized	<u>Net Income + Depreciation</u> <u>Total liabilities</u>	0.23: 1	0.29: 1
Interest coverage ratio	Income before income tax (IBIT) + interest and other financing charges	5.29: 1	6.01: 1
Net profit margin	<u>Net Income</u> <u>Revenue</u>	0.43	0.54
Return on equity *annualized	<u>Net Income</u>	24%	31%

As of December 31, 2021, the fair value of the deposited properties amounted to 48,547.4 million.

The Net Asset Value per share is calculated by dividing the adjusted NAV by the total outstanding shares of 4,892,777,994. The adjusted NAV is equal to total assets plus fair value adjustment of deposited properties and investible funds held less total liabilities resulting to NAV amount of 44,078.4 million as of September 30, 2022. NAV per share is 9.01. The NAV per share as of December 31, 2021 is 9.07.

Earnings per share declined vs 2021 since there were still non-REIT assets included in the company's financial results until Aug 12, 2021, its IPO. There were also increase in the outstanding shares as shown below,

Issued and outstanding Shares of stock as of June 30, 2021	1,163,426,668
March 2021 stock split, approved by SEC July 2, 2021	1,163,426,668
New Shares issued prior to IPO Aug 12, 2021	2,565,924,658
Total issued and outstanding shares as of Dec 2021 and Sept 2022	4,892,777,994



**B. CASH DIVIDEND DECLARATIONS**

As of September 30, 2022, FILRT distributed total cash dividends of Php1,546,117,846 Details are as follows:

The following table shows the cash dividends declared by the Company's BOD on the outstanding capital stock:

Declaration date	Record date	Dividend per common shares	Total dividends declared	Payment date
August 31, 2021	September 15, 2021	0.112	547,991,135	September 30, 2021
November 18, 2021	December 3, 2021	0.112	547,991,135	December 20, 2021
February 15, 2022	March 2, 2022	0.112	547,991,135	March 20, 2022
April 20, 2022	May 6, 2022	0.116	567,562,247	May 27, 2022
August 9, 2022	Aug 31, 2022	0.088	430,564,463	Sep 20, 2022

After reconciling items, the Company's retained earnings available for dividend declaration as of September 30, 2022 and December 31, 2021 amounted to P523.7 million and P1,680.9 million, respectively.

The following table shows how the Company computes for its dividend per share:

	September 30, 2022	December 31, 2021
a. Dividends	1,546,117,846	2,786,409,060
b. Weighted average number of outstanding common shares	4,892,777,994	3,514,911,602
<b>Total Dividend per Share YTD</b>	<b>0.32</b>	<b>0.70</b>

2021 Dividends per shares includes property dividend.

The 2021 weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021.

**Distributable Income under the IRR of REIT Act of 2009**

Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS. The REIT entity is required to distribute at least 90% of its annual income as dividends to its investors.

For the year ended December 31, 2021 the distributable income is the same with the net income which amounted to P1,855.1 million. The required dividend to be declared by the company is P1,699 million for the year 2021, as of September 30, 2022, the Company has declared dividends amounted to P2,212 million or 119.21% of distributable income for the year 2021.

**C. INVESTMENT RETURN**

The dividend distribution for 3<sup>rd</sup> Qtr 2022 of PhP 0.088 per share brought the total dividends for the year to PhP 0.316 per share. Taking into account the market price movement, since its IPO on August 12, 2021, FILRT provided a total return (Total Return = Price change from IPO and cumulative dividend yield est.) of -3.7% to its IPO investors as of September 30, 2022. Total return has been negatively affected by the drop in the share price in 2022 brought about by market challenges that are not unique to FILRT nor to the commercial REIT market. Year to date, FILRT has dropped the least amongst other REITs in terms of total return. Factors that have affected commercial REITs are the extension of WFH and the global trend of hybrid work set up.

Company Name	REIT type	Portfolio size ('000 sqm.) as of Sept.	Deposited Value (in Billions)	Market cap (in Billions)	IPO PRICE	Current Price as of Sept.30	Price Change from IPO(%)	Dividend Yield @ IPO Price (Est.)	Total Return for IPO Holders
	Mixed of office retail and Industrial lot	673	PhP 64.6	PhP 51.3	PhP 27.00	PhP 34.00	25.9%	15.0%	41.0%
	Office	301	PhP 48.5	PhP 30.3	PhP 7.00	PhP 6.20	-11.4%	7.7%	-3.7%
	Office	325	PhP 63.7	PhP 35.4	PhP 16.10	PhP 14.00	-13.0%	6.0%	-7.0%
	Office	480	PhP 80.30	PhP 57.0	PhP 6.45	PhP 5.31	-17.7%	5.4%	-12.3%
	Retail and Office	172	PhP 35.0	PhP 22.1	PhP 2.25	PhP 1.24	-44.9%	8.0%	-36.9%
	Retail	256	PhP 36.0	PhP 9.3	PhP 1.75	PhP 1.24	-29.1%	8.3%	-21.0%

**Dividend distribution**

Cash Dividend per share distributed 1Q, 2Q, 3Q 2022	PhP 0.316
Cash Dividend per share annualized	PhP 0.421
Cash Dividend per share distributed in 2021	PhP 0.224

Price per share at end-September 2022 PhP6.20

Price per share at IPO PhP7.00

Annualized Dividend Yield at end-September 2022 price 6.8%

Annualized Dividend Yield at IPO Price 6.5%

**Total Return to investor:**

Actual Dividend yield since IPO	7.7%
Market Price movement	-11.4%
Total Investment return	-3.7%

**D. CURRENT SHARE PRICE AND MARKET CAPITALIZATION AS OF SEPTEMBER 30, 2022**

Number of Outstanding Shares:	4,892,777,994
Market Price per Share (as of end of September 2022):	PhP6.20
Market Capitalization (in millions):	PhP30,335

**E. ASSET PERFORMANCE**

The table below shows the occupancy rates of the buildings under FILRT YTD-September 2022:

	<b>BUILDING</b>	<b>GLA</b>	<b>OCCUPANCY RATE</b>
1	Plaza A	10,860	100%
2	Plaza B	6,488	98%
3	Plaza C	6,540	100%
4	Plaza D	10,860	83%
5	Plaza E	14,859	100%
6	Capital One	18,000	100%
7	5132 Building	9,409	100%
8	iHub1	9,481	50%
9	1Hub2	14,181	89%
10	Filinvest One	19,637	100%
11	Filinvest Two	23,784	100%
12	Filinvest Three	23,784	45%
13	Vector One	17,764	100%
14	Vector Two	17,889	100%
15	Vector Three	36,345	68%
16	Axis Tower One	40,869	94%
17	Cyberzone Cebu Tower 1	20,612	100%
	<b>TOTAL</b>	<b>301,362</b>	<b>88%</b>

**Leasing Summary**

<b>Quarterly Signed Leases</b>	<b>GLA (Sqm.)</b>
Total signed leases (end of March)	264,620
Total signed leases (end of June)	266,435
Total signed leases (end of September)	265,807

As of end September 2022, new leases of 4,928 sqm have been closed. In terms of tenant retention, a total of 20,478 sqm have been renewed or 86% of 23,819 sqm of expiring leases in 2022. For the remaining lease expiries, 107 sqm have signed LOIs (1%) while under negotiations are 2,306 sqm (9%) with high probability of renewal.

**F. OTHER PERFORMANCE METRICS**

The table below shows the tenancy mix as of September 30, 2022. Bulk or 90% of FILRT’s tenants belong to the resilient and robust BPO sector.

Tenant Mix	Percentage
	As of end June 2022
BPO	90%
Traditional	9%
Retail	1%
<b>Total Leased</b>	<b>100.0%</b>

**G. INDUSTRY UPDATE**

Lateral transfer between Investment Promotion Agencies (IPA) is now allowed. As per Fiscal Incentives Review Board (FIRB) Resolution No.026-22, affected Registered Business Enterprises (RBEs) in the IT-BPM sector are allowed to shift from PEZA to Board of Investments (BOI) until December 31, 2022. Affected RBEs shall cover those that have remaining tax incentives under Sec. 311 of the NIRC or those approved incentives on or before September 14, 2022 under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Act.

RBEs that transferred their registration to the Board of Investments may adopt up to 100% Work-from-Home (WFH) arrangement. For entities that retained their PEZA registration, they may continue to implement the 30-70 WFH arrangement until December 31, 2022.

The BIR issued Revenue Circular No. 23-2022 last February 18, 2022 wherein the coverage is all RBEs in the IT-BPM sector who opted to continue implementing WFH arrangements amidst COVID-19 pandemic. The non-compliance with all the conditions prescribed under FIRB Resolution Nos. 19-21 and 23-21 shall be meted with suspension of the income tax incentive on the revenue corresponding to the months of non-compliance.

The Philippine Economic Zone Authority (PEZA) has announced that it is allowing RBEs to continue the 70/30 hybrid work scheme wherein RBEs are allowed to extend their WFH arrangement up to 30% until December 31, 2022 without the diminution of fiscal incentives for all PEZA RBEs. If within the 30% threshold, shall be subject to applicable incentives.

The move of the FIRB, BIR, and PEZA to increase the allowable WIO arrangement is a good signal of re-opening of the economy which restore the relevance of office spaces, increase occupancies, and move forward with the locators’ expansion plans. But as to long term incentives policy by Q4 2022 and beyond, it is yet to be crafted by the newly elected administration/FIRB chair.

In terms of general procedures that govern the transfer of PEZA-registered IT-BPOs to BOI, the former shall file its request with BOI using the Request to Register with BOI form. Once form is endorsed by PEZA to BOI Infrastructure and Services Industries Service (ISIS). After compliance with the requirements BOI ISIS will issue the Certificate of Registration to the endorsed RBE and specify the remaining incentives and period of entitlement.

Transactions are up by 72% YoY and outpaced vacated spaces in Metro Manila, while strong transaction activity seen in the countryside. Due to supply glut, vacancy in office spaces are foreseen to further increase by year-end. Office space vacancy in Metro Manila increased from 2Mn sqm. in Q4 2021 to 2.4Mn sqm. In Q1 2022, supply driven vacancy took effect.

### Office Industry Benchmarks

With an occupancy rate of 88% for YTD-September 30, 2022, FILRT properties performed better than industry occupancy rates at its particular locations, namely Alabang and Cebu. FILRT's rental rates for Alabang and Cebu are within the industry ranges.

	<b>Alabang</b>	<b>Cebu</b>
Supply Occupancy rate	75%	74%
Supply Rental Rate range/sq. m	₱ 600-880	₱ 400-650

*Source: Colliers International and SKF Q3 2022 Property Market Briefing*

### H. CURRENT VALUATION OF FILRT PROPERTIES

The Properties were valued by Asian Appraisal as of March 31, 2021. We believe that there are no material changes in the valuation of the assets as of the end of September 2022. Breakdown is shown below:

<b>Property</b>	<b>Valuation</b>	<b>Percentage of Total Valuation</b>
	<b>(₱ millions)</b>	<b>(%)</b>
Axis Tower 1.....	6,442.0	13.3%
Filinvest One.....	3,423.3	7.0%
Filinvest Two.....	4,180.0	8.6%
Filinvest Three.....	3,716.1	7.6%
Vector One.....	2,768.8	5.7%
Vector Two.....	3,134.1	6.5%
Vector Three.....	6,053.1	12.5%
Plaza A.....	1,655.0	3.4%
Plaza B.....	893.4	1.8%
Plaza C.....	1,034.4	2.1%
Plaza D.....	1,483.1	3.1%
Plaza E.....	2,421.0	5.0%
iHub1.....	1,449.0	3.0%
iHub2.....	2,335.6	4.8%
5132 Building.....	1,442.9	3.0%
Capital One.....	2,997.8	6.2%
Cebu Tower 1.....	3,117.7	6.4%
<b>Total</b>	<b>48,547.4</b>	<b>100.0%</b>

In compliance to the once-a-year appraisal requirement, the above-mentioned assets will be subjected to appraisal within the 4th Quarter of 2022.

