

# AREIT, Inc. — Full Case Study

Philippine REITs: Sector Overview, AREIT Deep-Dive & 6-Month Market Projection (Oct 2026)

PSE: AREIT    Sector: Real Estate Investment Trust    Prepared: April 24, 2026    Currency: PHP

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## PART I

# Understanding REITs -- A Global and Philippine Primer

## 1. What is a REIT?

A **Real Estate Investment Trust (REIT)** is a company that owns, operates, or finances income-generating real estate. REITs allow individual investors to access large-scale, diversified property portfolios -- such as office buildings, shopping centers, hotels, data centers, and logistics facilities -- without needing to directly buy, manage, or finance physical properties.

### KEY CHARACTERISTICS

- **Mandatory dividend distribution:** REITs are required by law to distribute a large portion of their taxable income as dividends (90% in the Philippines, 90% in the US).
- **Tax advantages:** REITs generally receive favorable tax treatment (reduced/zero corporate income tax) in exchange for high payout ratios.
- **Liquidity:** Unlike direct real estate ownership, REIT shares trade on stock exchanges, providing daily liquidity.
- **Professional management:** Assets are managed by experienced real estate professionals, with independent valuation and governance requirements.
- **Diversification:** A single REIT can hold dozens of properties across multiple locations and asset types.

### TYPES OF REITS

Type	Focus	Example Assets
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Office REITs	Commercial office spaces	Makati CBD towers, BPO buildings
Retail REITs	Shopping malls, retail centers	SM malls, Ayala malls
Industrial/Logistics REITs	Warehouses, distribution centers	E-commerce fulfillment, cold storage
Hotel/Hospitality REITs	Hotels, resorts	Casino hotels, tourism properties
Healthcare REITs	Hospitals, medical offices	Medical centers, senior housing
Data Center REITs	Server farms, cloud infrastructure	Hyperscale data centers
Diversified REITs	Mixed portfolio	Combination of office + retail + industrial

## WHY INVEST IN REITS?

- **Stable income:** High, mandatory dividend payouts provide steady cash flow.
- **Inflation hedge:** Rental income and property values tend to rise with inflation over time.
- **Portfolio diversification:** Low correlation with stocks and bonds improves overall portfolio risk-adjusted returns.
- **Professional asset management:** Tenants, leases, and property operations are handled by experts.
- **Accessibility:** No need for millions in capital -- buy REIT shares from any brokerage.

## 2. Global REIT Market Overview

The global REIT market encompasses over **900+ publicly listed REITs** across 40+ countries, with a combined market capitalization exceeding **USD 2 trillion**. The United States dominates (~65% of global REIT market cap), followed by Japan, Australia, the UK, and Singapore.

### GLOBAL REIT PERFORMANCE BENCHMARKS

Index	1Y Return	5Y Avg Annual	Dividend Yield
FTSE Nareit All REITs (US)	~8%	~5-6%	~3.8%
S-REIT Index (Singapore)	~5%	~3-4%	~5.5%
J-REIT Index (Japan)	~4%	~3%	~4.0%
A-REIT Index (Australia)	~7%	~4-5%	~4.5%

Key global trends impacting REITs in 2026: declining interest rates (positive for REIT valuations), remote/hybrid work reshaping office demand, e-commerce driving logistics REIT growth, and AI/cloud computing fueling data center REIT demand.

## 3. Philippine REITs -- History and Regulatory Framework

The Philippine REIT Act (RA 9856) was signed into law in 2009 but took over a decade to produce its first listed REIT. Implementing rules were only finalized in 2019 after key tax and regulatory barriers were addressed. **AREIT was the first Philippine REIT to list on the PSE, in August 2020.**

### KEY REGULATORY REQUIREMENTS (PHILIPPINES)

Requirement	Details
Minimum payout ratio	90% of distributable income as dividends
Minimum public float	33% of outstanding shares
Asset requirements	At least 75% of assets must be income-generating real estate
Income requirements	At least 75% of gross income from real estate
Tax treatment	0% corporate income tax (income taxed at shareholder level)
Minimum capitalization	PHP 300 million
Fund manager requirement	Must appoint a SEC-registered fund manager

### LISTED PHILIPPINE REITS (AS OF 2026)

REIT	Ticker	Sponsor	Asset Focus	AUM (PHP B)
AREIT, Inc.	AREIT	Ayala Land	Office + Retail + Hotels + Industrial	139.3
DDMP REIT	DDMPR	DoubleDragon	Office + Retail	~35
Filinvest REIT	FILRT	Filinvest	Office (BPO)	~32
RL Commercial REIT	RCR	Robinsons Land	Office	~60
Citicore Energy REIT	CREIT	Citicore	Renewable Energy (Solar)	~20
VistaREIT	VREIT	Vista Land	Retail + Commercial	~15
Premiere Island Power REIT	PREIT	Premiere Island	Energy	~10

**AREIT is the undisputed market leader** with PHP 139.3 billion in assets under management -- more than double its nearest competitor -- and the most diversified asset mix in the sector.

## 4. Executive Summary

**AREIT, Inc.** is the first, largest, and most diversified Real Estate Investment Trust in the Philippines. Sponsored by **Ayala Land, Inc. (ALI)**, the country's premier property developer, AREIT holds a diversified portfolio spanning office, retail, hotel, and industrial properties with a gross leasable area (GLA) of 4.3 million square meters and a 99% occupancy rate.

FY 2025 was a standout year: revenues hit PHP 13.0 billion (+26%), EBITDA reached PHP 9.5 billion (+27%), and net income grew to PHP 9.4 billion (+28%). AREIT distributed PHP 0.62/share in Q4 2025 dividends alone, maintaining its position as the highest-yielding Philippine REIT.

## 5. Company Overview

Company Name	AREIT, Inc. (AYALA Real Estate Investment Trust)
Ticker / Exchange	AREIT / PSE (Philippine Stock Exchange)
Sponsor	Ayala Land, Inc. (ALI)
IPO Date	August 13, 2020
Fund Manager	Ayala Land REIT Fund Management (ARFM)
Asset Type	Diversified -- Office, Retail, Hotels, Industrial
Assets Under Management	PHP 139.3 billion
Gross Leasable Area (GLA)	4.3 million sqm
Occupancy Rate	99%
Net Gearing Ratio	0.01:1 (virtually debt-free)
Estimated Price (Apr 2026)	~PHP 32-35 per share
Dividend Payout	>90% of distributable income (mandatory)

## 6. FY 2025 Financial Performance

**P13.0B**

**P9.5B**

**P9.4B**

**P0.62**

## REVENUE AND EARNINGS TRAJECTORY

Metric	FY2022	FY2023	FY2024	FY2025	FY2026E
Revenue (PHP B)	6.2	7.8	10.3	13.0	~15.5
EBITDA (PHP B)	4.5	5.7	7.5	9.5	~11.5
Net Income (PHP B)	4.4	5.6	7.3	9.4	~11.0
GLA (M sqm)	2.8	3.2	3.9	4.3	~4.8
Occupancy (%)	93	96	98	99	~99
Net Gearing	0.18	0.10	0.05	0.01	~0.05

AREIT has delivered an extraordinary growth trajectory: revenues have more than doubled from PHP 6.2B in FY2022 to PHP 13.0B in FY2025, driven by aggressive asset infusions from Ayala Land, organic rental growth, and near-perfect occupancy.

## BALANCE SHEET STRENGTH

AREIT's **net gearing of 0.01:1 is among the lowest globally** for a REIT of its size. This provides enormous capacity for debt-funded acquisitions, which would be accretive to returns given the low cost of debt relative to property yields. Most global REITs operate at 30-50% gearing, meaning AREIT has significant headroom.

## 7. Portfolio Analysis

### ASSET COMPOSITION

AREIT's strength lies in its diversification across property types, reducing dependence on any single sector:

Segment	Share of AUM	Key Properties	Trend
Office	~50%	BPO/IT parks, Makati offices, BGC towers	Stable: BPO demand remains strong
Retail / Commercial	~25%	Ayala Malls properties	Growing: Philippine consumption recovery
Hotels / Hospitality	~15%	Seda Hotels, resort properties	Strong: Tourism boom post-COVID
Industrial / Logistics	~10%	Warehouses, logistics hubs	High growth: E-commerce expansion

### COMPETITIVE ADVANTAGES

- **Ayala Land pipeline:** Direct access to ALI's PHP 800B+ property portfolio for future asset infusions at negotiated valuations
- **Location quality:** Properties in prime CBD locations (Makati, BGC, Cebu IT Park, Clark) command premium rents
- **99% occupancy:** Near-perfect occupancy demonstrates strong tenant demand and quality asset management
- **Diversification moat:** Only PH REIT with office + retail + hotel + industrial across multiple locations
- **Financial flexibility:** Near-zero gearing allows aggressive, accretive acquisitions without dilution
- **First-mover trust:** As the first PH REIT, AREIT has the deepest institutional investor base and trading liquidity in the sector

## 8. Dividend Analysis

AREIT's dividend profile is the primary attraction for income-focused investors:

Period	Dividend Per Share (PHP)	Annualized Yield (est.)
FY2022	1.48	~4.2%
FY2023	1.72	~5.0%
FY2024	2.10	~6.2%
FY2025	~2.48 (Q4: P0.62)	~7.1%
FY2026E	~2.80-3.00	~8.0-8.5%

The dividend growth rate has been exceptional: +42% CAGR from FY2022 to FY2025. At an estimated FY2026 DPS of PHP 2.80-3.00, AREIT would yield approximately 8.0-8.5% at current prices -- significantly higher than the Philippine 10-year government bond yield (~5.8%) and time deposits (~4-5%).

## 9. Macro Factors Affecting AREIT

### POSITIVE TAILWINDS

**BSP rate cuts:** Lower interest rates reduce the opportunity cost of holding REITs (vs. bonds/deposits) and compress cap rates, which increases property valuations. Every 100bps BSP cut historically adds ~5-8% to REIT prices.

**BPO/IT sector resilience:** The Philippine BPO industry (~USD 35B+ revenue) underpins office REIT demand. AI augmentation is creating new service categories rather than replacing BPO jobs, maintaining occupancy.

**Tourism recovery:** International tourist arrivals have surpassed pre-COVID levels, driving hotel/hospitality REIT segment performance.

**E-commerce growth:** Philippine e-commerce is growing ~25% annually, driving demand for logistics and warehouse properties in AREIT's industrial segment.

### HEADWINDS AND RISKS

**Interest rate sensitivity:** If BSP pauses rate cuts or inflation re-accelerates, REIT valuations face compression.

**Remote/hybrid work:** While less impactful than in Western markets, some office space rationalization by large corporates could affect occupancy growth.

**Peso weakness:** Foreign investors price PH REITs in USD terms; peso depreciation reduces USD-denominated returns.

**PSE liquidity:** Low overall market turnover on the PSE limits foreign institutional participation and price discovery.

## PART IV

# 6-Month Market Value Projection (October 2026)

## 10. Valuation Context

AREIT currently trades at an estimated ~PHP 32-35 per share. Key valuation metrics:

Price/Earnings (P/E)	~14-16x (vs. PH REIT avg ~18x)
Price/Book (P/B)	~1.1-1.3x
Dividend Yield (FY2025)	~7.1%
Dividend Yield (FY2026E)	~8.0-8.5%
NAV per share (est.)	~PHP 35-40
Discount to NAV	~5-15%

At current levels, AREIT trades at a modest discount to estimated NAV with an attractive yield premium over government bonds, making it one of the most compelling income plays on the PSE.

## 11. Six-Month Price Projection Scenarios (October 2026)

Scenario	Price Range (PHP)	Return	Probability	Key Triggers
<b>BEAR CASE</b>	28 -- 30	-15% to -9%	15%	BSP reverses rate cuts; inflation spike; BPO downturn; foreign fund outflows; PSE broad selloff
<b>BASE CASE</b>	35 -- 40	+6% to +21%	55%	BSP cuts 50-75 bps; steady asset infusions from ALI; dividend growth continues; BPO demand stable

**BULL CASE**

42 -- 48

+27% to  
+45%

30%

Aggressive BSP easing; major ALI asset infusion; foreign REIT fund allocations to PH; MSCI inclusion catalyst

**WEIGHTED EXPECTED VALUE****Weighted 6-month target: ~PHP 37.65** (implied capital return: ~14% from ~PHP 33)Calculation:  $(0.15 \times 29.00) + (0.55 \times 37.50) + (0.30 \times 45.00) = \text{PHP } 37.475$ Including estimated ~3.5% dividend yield over 6 months (2 quarterly distributions), **total expected return: ~17.5%****TOTAL RETURN COMPARISON VS. ALTERNATIVES**

Investment	6-Month Expected Return	Risk Level
AREIT (base case + dividends)	~14-25%	Medium
PH Government Bonds (10Y)	~2.9% (half-year)	Low
Bank Time Deposit	~2.0-2.5% (half-year)	Very Low
PSEi Index (broad market)	~5-10%	Medium-High
USD Money Market	~2.0%	Low

**PART V****Risk Analysis and Investment Recommendation****12. Risk Matrix**

**Interest Rate Risk (HIGH):** REIT valuations are inversely correlated with interest rates. If BSP unexpectedly tightens or pauses, AREIT's price premium over NAV could compress. Probability: 20%. Impact: -10 to -15%.

**Macro/Peso Risk (MEDIUM):** Philippine peso weakness beyond PHP 60/USD reduces USD returns for foreign investors, potentially triggering outflows from PH REITs. Probability: 25%.

**BPO Structural Shift (MEDIUM):** While AI is not eliminating BPO jobs in the near term, a sharp acceleration in AI-driven automation could reduce future office demand growth. Probability: 15% (within 6 months).

**Concentration Risk (LOW-MEDIUM):** AREIT's assets are sourced entirely from Ayala Land. While ALI is the premium PH developer, dependence on a single sponsor creates governance and valuation negotiation risks.

**Liquidity Risk (LOW-MEDIUM):** PSE daily turnover for AREIT, while highest among PH REITs, is still low by regional standards. Large position exits can impact price.

**Regulatory Risk (LOW):** Changes to REIT tax treatment, payout requirements, or foreign ownership limits could affect the sector. Currently stable but always a background risk.

**Property Market Cycle (LOW):** A broader Philippine property downturn would affect valuations and rental growth. Current market fundamentals are supportive.

### 13. Catalysts to Watch

Catalyst	Expected Timing	Potential Impact
BSP Rate Decision	Q2-Q3 2026	50-75 bps cut = 5-10% share price boost
Q1 2026 Earnings	May 2026	Revenue/earnings continuation above trend
New Asset Infusion from ALI	H2 2026	GLA expansion, NAV uplift
MSCI Philippines Rebalance	May/Nov 2026	Forced foreign buying if included
Dividend Declaration	Quarterly	Yield attraction, price support
Industrial/Logistics Acquisition	H2 2026	Portfolio diversification, growth premium

### 14. Peer Comparison -- Philippine REITs

REIT	AUM (PHP B)	Occupancy	Div Yield	Net Gearing	Edge
AREIT	139.3	99%	~7.1%	0.01	Scale, diversification, ALI pipeline
RCR	~60	~95%	~6.0%	~0.25	Robinsons office portfolio
DDMPR	~35	~90%	~5.5%	~0.35	DD Meridian Park anchor
FILRT	~32	~92%	~6.5%	~0.30	BPO-focused, Filinvest City
CREIT	~20	N/A	~5.8%	~0.20	Renewable energy REIT (solar)
VREIT	~15	~88%	~5.0%	~0.30	Vista Land retail

AREIT leads across every key metric: highest AUM, best occupancy, lowest gearing, and competitive yield -- with the additional advantage of portfolio diversification and premium asset quality.

### 15. Conclusion and Recommendation

**AREIT is the benchmark Philippine REIT and arguably the highest-quality income investment on the PSE.**

With FY2025 revenues of PHP 13.0 billion, 99% occupancy, virtually no debt, and a robust Ayala Land asset pipeline, AREIT offers a rare combination of growth and income. The estimated FY2026 dividend yield of 8.0-8.5% significantly outperforms risk-free alternatives, while the potential for capital appreciation from BSP rate cuts adds an equity upside kicker.

**For income-focused investors:** AREIT offers one of the best risk-adjusted yield plays in the Philippine market, with quarterly dividends providing regular cash flow.

**For growth investors:** The 26-28% annual revenue growth trajectory, new asset infusions, and potential REIT sector re-rating on rate cuts create meaningful capital appreciation potential.

**Bottom line:** At current valuations (~5-15% discount to NAV, 7%+ yield), AREIT is attractively priced for a 6-month holding period with a weighted expected total return of ~17.5% (capital + dividends). The bear case is manageable (-15% at worst) while the bull case offers 45%+ upside. The risk/reward is skewed positively.

**Disclaimer:** This case study is prepared for informational and analytical purposes only. It does not constitute investment advice, a recommendation, or a solicitation to buy or sell any securities. All projections, estimates, and scenarios are based on publicly available information and the author's independent assessment as of the preparation date. Actual results may differ materially. Past performance is not indicative of future results. Consult a licensed financial advisor before making any investment decisions. The author holds no position in AREIT securities at the time of publication.

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