ASX ANNOUNCEMENT

15 July 2019

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The Manager
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Property Valuations as at 30 June 2019

Highlights

- The assessed value of ALE's 86 properties increased by $26.97 million or 2.37% to $1,163.23 million for the year to 30 June 2019

- Passing net rent increased 4.47% to $59.17 million following the partial completion of the 2018 rent review

- Weighted average adopted yield increased from 4.98% to 5.09%

- Valuers' assessed DCF valuations of the current year's 34 property sample represented a weighted average yield of 4.61% (FY18 sample: 4.29%)

- ALE notes that the spread between falling Australian Government long term bond rates and the yields applying to ALE's properties has materially expanded

- ALE continues to benefit from the majority of properties being subject to long term triple net lease arrangements with up to 40 years of options.

Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announced it had reassessed the valuations of its 86 properties as at 30 June 2019 to $1,163.23 million. This is an increase of $26.97 million (or 2.37%) since 30 June 2018.

During the 2019 financial year, the first major rent review commenced on 79 of the ALE's 86 investment properties. Of the remaining seven properties, four properties have later review dates, including two that have received CPI increases in the current period, and three properties have non-standard leases.

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On 3 August 2018, ALE issued rent notices to its tenant, ALH, advising that the rent on each of the 79 properties subject to the current rent review should increase by 10%. ALE and ALH had already agreed that two properties' rents would increase by 10%. ALH accepted the rent notices on 32 of the properties and rejected the remaining 45 notices. ALH has subsequently accepted two additional properties. 43 properties remain subject to determination.

The 36 accepted rent notices and CPI rent increases on non-rent reviewed properties increased ALE's total passing net rent as at 30 June 2019 to $59.17 million, an increase of 4.47% on the prior year.

ALE expects the determinations for the remaining 43 properties will be handed down during FY20. As a result the passing rent for those individual properties may increase or decrease by up to 10%.

ALE's reassessment of the carrying value of the properties was based upon independent valuations of 34 properties, being a representative sample across the property portfolio, by Savills (QLD/NSW) and CBRE (VIC/SA). During the year ALE's weighted average adopted yield increased from 4.98% to 5.09%.

The Directors' valuations of the remaining 52 properties (also independently valued over the previous two years) are supported by advice from Savills and CBRE that it is reasonable to apply the same percentage movement in the weighted average adopted yields, on a like for like basis, that the valuers determined would apply to the 34 properties independently valued by them at 30 June 2019.

The valuers provided the following perspectives on the valuations and property markets:

- The 2028 (open) rent reviews are drawing closer and that has made the properties increasingly attractive as investors take this into account;

- There was a limited number of freehold pub property transactions with comparable long term leases during the year, however there was significant transactional evidence from retail, liquor store and supermarket properties, providing strong support for the capitalisation rates and adopted yields;

- Low long term interest rates, international competition for assets and limited supply of investment grade properties has seen a maintenance of capitalisation rates across the broader property investment market. Investors continue to seek favourable yields and an investment in ALE's pub properties is characterised by a long term securely leased property to a major corporate entity. These types of properties have become increasingly attractive to the long term passive investors; and

- Market analysis confirmed that ALE's properties are unique investments by virtue of their lease terms and conditions, the quality of the tenant covenant and the nature and diversity of the business operations within the venues.

Statutory Valuations

This table provides a state by state analysis of the changes in property values during the year:

($ Million) State	Property Numbers	Current Net Rent	Weighted Average Yield	Valuations at June 2019	Changes Since June 2018	Current Average Value
NSW	10	$8.29	5.11%	**$162.30**	$5.94	$16.23
QLD	32	$18.33	5.02%	**$365.05**	$3.66	$11.41
SA	7	$2.12	5.07%	**$41.90**	$1.07	$5.99
VIC	33	$28.45	5.06%	**$562.19**	$16.21	$17.04
WA	4	$1.98	6.22%	**$31.79**	$0.09	$7.95
Totals	86	$59.17	**5.09%**	**$1,163.23**	$26.97	$13.52

a) Net Rent is based upon the current Queensland land tax assessed values at the single holder rate. Differences arise due to individual property valuations being rounded to the nearest $10,000.

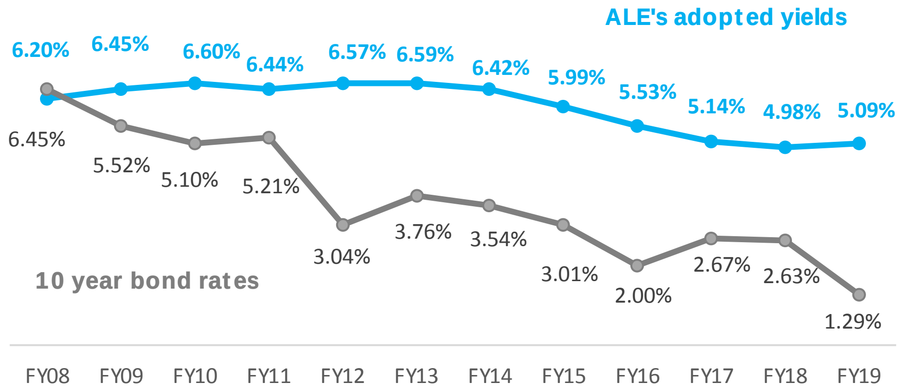
Contributions to the full year increase in valuations of $26.97 million include:

- Rent increases: $49.37 million
- Yield changes: ($23.58) million
- Queensland land tax decreases: $1.18 million

Yields and Bond Rates

ALE's average yields have been relatively stable over the past twelve years and have trended lower, notwithstanding volatility in other parts of the property and capital markets. This reaffirms the quality of ALE's properties and the wide investor appeal that the higher quality and lower individual value sector of the commercial property market continues to enjoy.

The chart below compares the movements in ALE's adopted property yields and Australian Government bond rates over the past twelve years.

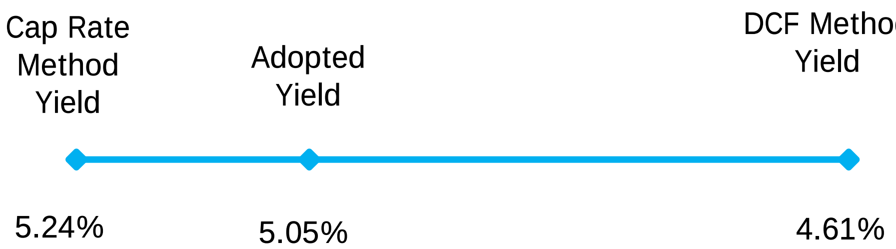


Over the last twelve years long term bond rates have fallen by around 516 basis points, yet ALE's adopted yields have only fallen by around 111 basis points. It is notable that the spread has expanded materially over the past financial year.

ALE considers that while the current lower levels of long term bond rates are sustained, they act as positive influence on future property valuations.

Discounted Cash Flow (DCF) Valuations for Independently Valued Properties

This financial year the valuers again considered the statutory valuations of a sample of 34 of ALE's 86 properties by applying a number of methodologies. The valuers confirmed that the sample was materially representative of the other 52 properties including where the reviewed rent were either agreed or subject to determination. As confirmation of that view, the current year's sample of properties recorded a weighted average adopted yield of 5.05%. The valuers applied both traditional capitalisation rate and DCF based valuation methods. Whilst the above statutory valuation results reflect a combination of both methods, the adopted valuations continue to give much greater weighting to the traditional capitalisation rate method.



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ALE believes that the DCF valuation method provides a comprehensive view of the quality of the lease and tenant as well as the medium and longer term opportunities for the uncapped rent reviews of properties commencing from November 2028.

In valuing the 34 properties, the valuers made their own independent assessment of the tenant's current level of EBITDAR and also adopted industry standard rental ratios. In calculating the DCF valuations, the valuers used assumptions they deemed appropriate for each of the individual properties. The ranges of these assumptions were as follows:

- CPI Growth Rates: 2.00% - 2.60% p.a.
- 2028 Terminal Capitalisation Rates: 5.50% - 7.75%
- Discount Rates: 6.25% - 9.36%

The valuers' assessed DCF valuations of the 34 properties represented a weighted average yield of 4.61%.

Property Valuations at 30 June 2019

The extrapolation of the sample results over the remaining portfolio results in the total adopted sum of property values of $1,163.23 million and an average adopted yield of 5.09%.

The Board intends to continue to use the valuations assessed by the independent valuers applying a combination of methods for the purposes of ALE's statutory accounts. The valuers advise that as we draw closer to the 2028 rent review the discounted cash flow method will assume more prominence.

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