

ASX ANNOUNCEMENT

04 February 2020

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The Manager
Australian Securities Exchange**

Property Valuations as at 31 December 2019

Highlights

- Directors' valuations of ALE's 86 properties have increased 0.76% to \$1,172.05 million
- Passing net rent increased 0.77% to \$59.62 million driven by CPI rent reviews for 40 properties which averaged 1.73% during the half year
- Weighted average adopted property yield remained unchanged at 5.09%
- 43 properties are expected to have rent determined in the current half year.

Statutory Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announces that the directors have formally reassessed the valuations of its 86 properties to \$1,172.05 million, as at 31 December 2019. This is an increase of \$8.82 million since 30 June 2019 and an increase of \$35.79 million, or 3.15%, since 31 December 2018.

Details of the statutory valuation results are included in ALE's 31 December 2019 Financial Statements, to be released on 5 February 2020.

During FY19, the first major rent review commenced on 79 of ALE's 86 investment properties. ALH accepted the rent notices on 36 of the properties, which increased by 10%, and rejected the remaining 43 notices and therefore a rent determination process commenced.

The rent determination process for those remaining 43 properties continues and we expect the results of the determinations in the current half year. The determination outcome will see the passing gross rent for each of the remaining 43 properties increase or decrease by up to 10%.

Of the remaining seven properties, four properties have later review dates, including two that have received CPI increases in the period ending 31 December 2019, and three properties have non-standard leases.

As the rent review process has not been finalised, the Directors received advice from the independent valuers that:

- the demand for investment properties leased to high grade tenants remains strong;
- pub property values, pub rents and underlying capitalisation rates for comparable properties remain substantially unchanged;
- freehold pub properties remain in short supply with limited transactional evidence; and
- it was not unreasonable for the Directors to apply the same individual adopted yields that prevailed at June 2019.

Therefore, the Directors have elected to keep adopted individual yields unchanged as at 31 December 2019 for all properties. As the adopted individual yields remained unchanged but rent increased since June 2019 by an average of 1.73% on 40 properties, the properties' combined values increased by \$8.82 million to \$1,172.05 million.

When assessing statutory valuations at June 2019 the valuers applied both traditional capitalisation rate and discounted cash flow (DCF) based valuation methods. The weighted average adopted property yield reflected a combination of these methods but continued to place significant emphasis upon the traditional capitalisation rate approach.

The Board has not had the individual properties independently revalued as at 31 December 2019. It is the intention of the Board to have all 86 individual properties independently valued following the release of the rent determinations.

The table below provides an analysis of the current property valuations.

State	Property Numbers	Valuations at December 2019 (Million)	Passing Net Rent (Million)	Resulting Average Property Yield
NSW	10	\$164.85	\$8.42	5.11%
QLD	32	\$367.60	\$18.45	5.02%
SA	7	\$42.05	\$2.13	5.07%
VIC	33	\$565.76	\$28.63	5.06%
WA	4	\$31.79	\$2.00	6.28%
Totals	86	\$1,172.05	\$59.62	5.09%

- (a) Net Rent is current rent net of Queensland land tax
- (b) Rounding differences occur due to individual property valuations being rounded to the nearest \$10,000
- (c) Includes an adjoining property to the Miami Hotel valued at \$1.47 million
- (d) Resulting Average Property Yield: Weighted average yield, being the passing net rent divided by the value

- Ends -

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