

**ASX ANNOUNCEMENT**

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**Property Valuations as at 31 October 2020**

ALE has now completed its review of property valuations and future rental streams, based on the November 2018 rent reviews received (“Determinations”).

**Highlights**

- The independent valuation of ALE’s 86 freehold pub properties as at 31 October 2020 is \$1,225.8m. This is an increase of \$51.6m or 4.4% over the valuations as at 30 June 2020 which were finalised prior to the receipt of the November 2018 Determinations.
- Weighted average adopted yield tightened marginally from 5.08% to 4.94%
- Based on a review of the Determinations received and adopting comparable methodology, independent valuers have provided an opinion of the uncapped rent of the properties
  - this analysis indicates that as at 31 October 2020 the uncapped/uncollared rent for the overall portfolio is approximately 33% higher than current passing rent, although the variance is not distributed evenly across the portfolio
  - The first uncapped/uncollared rent review will take place in 2028, for properties where the tenant exercises its option to renew
- ALE has commenced proceedings in the Supreme Court of Victoria to set aside the 19 Determinations for properties in Victoria on the basis that the Determinations are the outcome of the application of an incorrect methodology. The valuations and estimated uncapped/uncollared rent announced today do not take into account the potential impact of the proceedings.
- ALE has collected 100% of portfolio rent through the COVID-19 pandemic

The independent valuations announced today reflect strong demand for prime assets secured by investment grade tenant covenants with long lease terms, with transaction yields holding at pre COVID-19 levels.

## Property Valuations

ALE Property Group (ASX code: LEP) today announced that it has obtained independent valuations for all of its 86 properties as at 31 October 2020, equating to an aggregate portfolio valuation of \$1,225.8 million. This represents an increase of \$51.6 million (or 4.4%) since 30 June 2020.

These valuations incorporate the outcome of the rent Determinations for 43 properties that were received in September 2020, the 10% rental increases previously agreed, and CPI rental increases since November 2018.

The Determinations as received have led to changes in key assumptions used by the independent valuers relative to previous independent valuations, including:

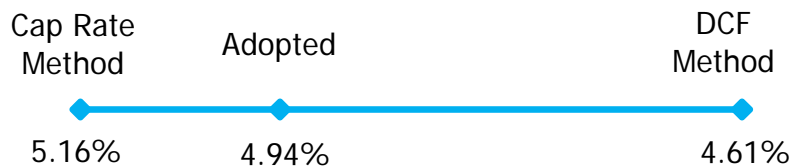
- Key valuation parameters including cap rates, discount rates and terminal yields have generally firmed and estimated EBITDAR for the properties has reduced
- Valuers have increased the weighting to DCF valuation

This table below provides a summary of the changes in property values since 30 June 2020:

State	No. of Properties	Weighted Average Yield	Independent Valuation at October 2020 (\$m)	Increase since June 2020 (\$m)
NSW	10	4.58%	186.2	18.3
QLD	32	4.78%	390.7	22.7
SA	7	5.20%	42.1	0.5
VIC	33	5.06%	574.3	9.4
WA	4	6.28%	32.5	0.7
<b>Total / weighted average</b>	<b>86</b>	<b>4.94%</b>	<b>1,225.8</b>	<b>51.6</b>

Consistent with historical practice, the independent valuers considered several valuation methodologies for ALE's properties, including capitalisation rate and DCF based valuation methods. The valuers' adopted yields reflect a blend of cap rate and discounted cash flow (DCF) methodologies as illustrated below:

### Equivalent Yield Metrics



### Estimate of Uncapped/Uncollared Rental levels

The independent valuers have estimated what the uncapped/uncollared rent would be for each of the properties as at 31 October 2020.

To undertake this analysis, the independent valuers were provided with the Determinations as received in September 2020, and have had regard to the methodology and conclusions of the Determining Valuers in forming their estimate of uncapped/uncollared rent. The independent valuers have also made adjustments to their estimates to account for the time period between November 2018 (being the effective date of the Determinations) and October 2020, as well as the potential positive rental benefit of refurbishments or material capital expenditure undertaken at the properties.

This estimate reflects the opinion of the independent valuers as at 31 October 2020 and should not be considered as a forecast of the outcome of the uncapped/uncollared rent reviews to be undertaken as at November 2028. Please also refer to the commentary about litigation below.

Number of properties	<b>86</b>
Oct-20 Gross Passing Rent	<b>\$62.5m</b>
Estimate of Gross Uncapped/Uncollared Rent (Oct-20)	<b>\$82.9m</b>
Difference	<b>33%</b>

## Litigation – Victorian Determinations

As disclosed on 19 October 2020, ALE has commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian Determinations were not made in accordance with the requirements of the rent review provisions of the relevant leases. Nonetheless, those Determinations have been adopted by the independent valuers for the purpose of the current statutory valuations, and the current estimate of what the uncapped/uncollared rent might be.

The decision of the Court may impact the valuation of those properties, the 2018 Victorian Determinations and the methodology for the estimate of uncapped/uncollared rent in 2028 for all properties.

## COVID-19 update

ALE has collected 100% of rent from ALH throughout the COVID-19 pandemic, including back rent due in relation to the Determinations. In addition, all of ALE's properties are now open following the reopening of hospitality venues in Victoria on 9 November 2020.

In recent months, state governments have continued to ease restrictions on the number of people that can attend hospitality venues. In particular, as of 22 November 2020, Victoria is expected to implement 'Next Step' restrictions which are expected to allow up to 100 people to dine indoors and 200 people to dine outdoors.

## Distributions and Capital Management

ALE continues to review its distribution and capital management policies, and will provide a further market update as soon as that review has been completed.

- Ends -

*This ASX release was approved and authorised for release by the Board of Directors*

Contact:

Guy Farrands  
Managing Director  
**ALE Property Group**

02 8231 8588

Website: [www.alegroup.com.au](http://www.alegroup.com.au)