ASX ANNOUNCEMENT

6 December 2016

Announcement No. 23/16
The Manager
Australian Securities Exchange

Increase in Property Valuations as at 31 December 2016

Highlights

- Director's valuation of ALE's 86 properties increased by 1.40% to $1,004.45 million during the half year driven by the annual CPI based rent increases
- Weighted average adopted capitalisation rate remained unchanged at 5.53% reflecting advice from independent valuers
- Valuations exclude any premium or discount that may result from a valuation on a portfolio basis
- Statutory valuations do not fully reflect the impact of future 2018 and 2028 market rent reviews, ALH's significant capital expenditure on ALE's properties, additional value that may arise from future development of the buildings and the surplus land across the portfolio
- ALE continues to enjoy the benefits of unique and favourable lease arrangements.

Statutory Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announces that the directors have resolved to revalue the property portfolio to $1,004.45 million as at 31 December 2016. This is an increase of $13.97 million over the 30 June 2016 valuation and is substantially attributable to the CPI increase arising from the rental reviews of 81 of the properties since 30 June 2016. Rent for ALE's other five properties will be reviewed in the second half of the financial year.

The statutory valuation results provided above will be included in the half year statutory reports as at 31 December 2016.

The Directors' revaluations are supported by independent advice from CBRE and Herron Todd White (HTW) that it would be reasonable for the Directors of ALE to maintain the adopted capitalisation rates adopted as at 30 June 2016 for the 86 properties. The 30 June 2016 capitalisation rates were a combination of the application of both the traditional capitalisation rate and the discounted cash flow methodologies but with an emphasis on the traditional capitalisation rate approach.

It was noted by both valuers that there continues to be significant demand across all classes of investment grade commercial property, particularly for properties with individual property values similar to those owned by ALE.

The Board has not had the individual properties revalued independently as at 31 December 2016. The next round of independent valuations will be undertaken as at 30 June 2017.

The table below provides an analysis of the increases in value arising from the CPI increase in net rental income and some small increases in Queensland land tax.

($ Million) State	Property Numbers	Current Net Rent	Weighted Average Cap Rate	Valuations at December 2016	Changes Since June 2016	Current Average Value
NSW	10	$7.57	5.37%	$141.12	$2.42	$14.11
QLD	32	$17.12	5.46%	$313.80	$4.65	$9.81
SA	7	$2.06	5.81%	$35.38	$0.42	$5.05
VIC	33	$26.91	5.54%	$485.34	$6.38	$14.71
WA	4	$1.86	6.47%	$28.81	$0.10	$7.20
Totals	86	**$55.52**	**5.53%**	**$1,004.45**	**$13.97**	**$11.68**

(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

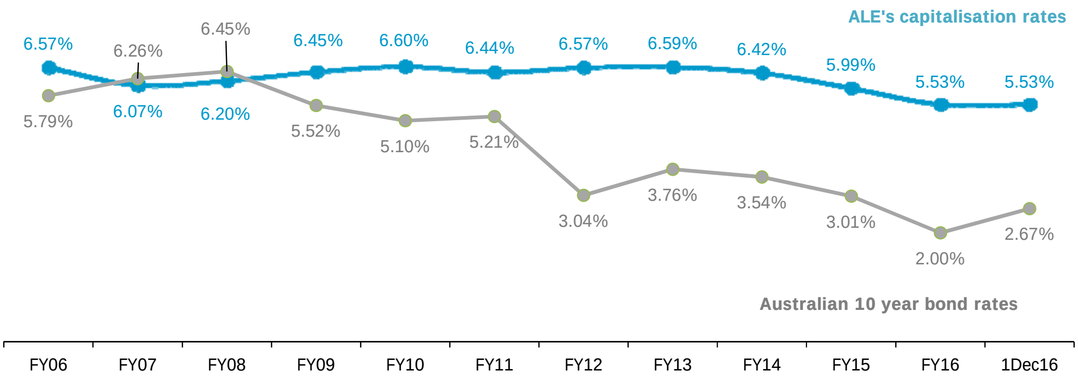
Capitalisation Rates and Bond Rates

ALE's average capitalisation rates have been stable over the past ten years and more recently 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.

Since June 2016 long term bond rates have risen to levels last seen around one year ago, however the spread between the bond rate and ALE's capitalisation rate remains at a relatively high level.

ALE considers that the current lower levels of long term bond rates act as positive influence on the stability of ALE's capitalisation rates in future years.

The chart below compares the movements in ALE's capitalisation rates and Australian Government bond rates over the past ten years.



Discounted Cash Flow (DCF) Valuations

At June 2016 the valuers considered the statutory valuations of a representative one third sample of ALE's 86 properties by applying both traditional capitalisation rate and DCF based valuation methods.

ALE believes that the DCF method can provide a comprehensive view of the quality of the lease and tenant as well as the medium and longer term opportunities for reversion to market based levels of rent.

The valuers have also indicated that the valuation determinations at June 2017 are expected to be influenced by their assessment of the November 2018 market rent review given that the review will be only 16 months away.

ALE's Unique and Favourable Lease Arrangements

ALE reminds investors of the strength of the properties unique and favourable lease arrangements. The particular terms of the leases that are notable include:

- Essentially triple net leases - for 83 of the 86 properties;
- Long term leases - weighted average lease expiry of around 12 years to November 2028, with ALH also holding four 10 year options to extend to 2068;

- Near term market rent reviews - next in 2018 for 79 of the 86 properties, each capped and collared at 10%;
- Capital expenditure - the significant amounts of capital expenditure that ALH has funded and the positive impact that investment is expected to continue to have on ALH's operating profitability and ALE's market rent prospects at the properties;
- Change of control protections – a change in more than 20% of the ownership of ALH requires ALE's consent based on its reasonable opinion that ALH will continue to have the financial capacity, business skills, other resources and authorisations to enable it to conduct the permitted operating uses profitably and perform all of its the lease obligations (an exception applies if ALH becomes an ASX listed entity);
- Assignment protections - following ALE approved assignments, ALE continues to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term of around 12 years, as ALH is not released on assignment; and
- Operating profit protections - subject to regulatory changes and requirements, ALH has agreed that it will not reduce the number of gaming entitlements below 90% of the current numbers across ALE's properties.

The Directors note that other ALH leases available to investors in the pub property market may not have the benefit of all the above positive terms.

Concluding Comments

The individual property valuations excluded any premium or discount that may result from a valuation on a portfolio basis.

ALE refers stapled securityholders to the portfolio valuation analysis announced by ALE on 12 November 2013 and notes that since that time ALH's EBITDAR has grown while discount rates and capitalisation rates have fallen.

- Ends -

Contact:

Andrew Wilkinson
Managing Director
ALE Property Group

02 8231 8588
Website: www.alegroup.com.au

Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
Australian Leisure and Entertainment Property Trust ARSN 106 063 049