

ASX ANNOUNCEMENT

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The Manager
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Increase in Property Valuations as at 31 December 2014

Highlights

- Valuation of ALE's 86 properties increased by 2.0% to \$837.89 million during the half year driven by increasing rent
- Weighted average capitalisation rate increased slightly to 6.44%
- Paper provided by ALE in November 2013 provides an insight into the potential value arising from the significant capital expenditure by ALH and the under rented position of the portfolio.

Property Valuations

Listed property trust, ALE Property Group, (ASX code: LEP) today announces that the directors have resolved to revalue the property portfolio to \$837.89 million as at 31 December 2014. This is an increase of \$16.21 million over the 30 June 2014 valuation and is substantially attributable to the 2.24% average CPI increase arising from the November 2014 rental reviews for 81 of the properties. Rent for ALE's other five properties will be reviewed in the second half of the financial year.

The Directors' revaluations are supported by independent advice from Urbis, Colliers and CBRE that it would be reasonable for the Directors of ALE to have regard to the capitalisation rates adopted as at 30 June 2014 for the 86 properties.

It was noted by all valuers that since June 2014 there had been an increase in transaction volumes of investment grade property, across all classes of commercial property. The valuers also noted that the market continues to exhibit high levels of demand, particularly for individual properties below \$15 million in value.

The valuers specifically noted the high profile sale during the period of a portfolio of 54 ALH leased pub properties to Charter Hall and industry superannuation fund HOST PLUS (Charter Hall Portfolio). Urbis noted that there were a number of significant differences between the leases of these properties and the leases applicable to ALE's properties. They noted that the Charter Hall Portfolio leases contained turnover rent on the Dan Murphy's but no market rent reviews for the pub properties over the term of the leases (initial term of 20 years with ALH options to extend up to a further 50 years).

Urbis contrasted this lease structure to those of ALE's properties, substantially all of which have a market rent review at November 2018 (where rents are limited to a 10% increase or decrease) followed by an open market rent review at the first of ALH's options to renew in November 2028 and every 10 years thereafter until the leases finally expire in 2068.

The Board has not had the individual properties revalued independently as at 31 December 2014. The next round of independent valuations will be undertaken as at 30 June 2015.

The table below provides an analysis of the increases in value arising from the CPI increase in net rental income and some savings in Queensland land tax. Also, following the appointment of a new valuer for ALE's NSW properties, the capitalisation rate increased to 6.5% for the New Brighton Hotel, Manly in Sydney.

State	Property Number	Net Rent at Dec 14 \$m	Weighted Average Cap Rate	Total Value at Dec 14 \$m	Increase In Value \$m
NSW	10	\$7.63	6.69%	\$114.09	\$0.22
QLD	32	\$15.68	6.33%	\$247.73	\$6.78
SA	7	\$2.24	6.52%	\$34.36	\$0.72
VIC	33	\$26.52	6.41%	\$413.85	\$7.88
WA	4	\$1.88	6.75%	\$27.86	\$0.61
Total Portfolio	86	\$53.95	6.44%	\$837.89	\$16.21

(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

Statutory Valuations and Value Analysis

The statutory valuation results provided above will be included in the half year statutory reports as at 31 December 2014.

The valuers noted that the individual property valuations excluded any premium or discount that may be obtained from a valuation on a portfolio basis.

At ALE's Annual General Meeting held in November 2013 a paper was provided which examined the outlook for ALE's property values. It provided investors with an insight into the potential value arising from the significant capital expenditure by ALH and the under rented position of the portfolio.

This paper sought to provide investors with a better understanding of the value of a reversion to a potentially higher level of market rent in future years. The paper is recommended reading for ALE's investors and may be found in the Announcements section of ALE's website.

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