ALE PROPERTY GROUP

ASX ANNOUNCEMENT

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Property Valuations as at 30 June 2015

Highlights

- ALE's 86 properties increased in value to $900.5 million, representing a 9.6% increase for the year
- Valuation uplift was driven by a reduction in the weighted average capitalisation rate from 6.42% to 5.99% and the properties' annual CPI based rent increases
- ALE's capitalisation rates have moved within a narrow range over the past ten years reaffirming the stability of the properties' valuations
- Rent restructure for a small part of the portfolio delivers a lower risk profile for the capped and collared market rent reviews in 2018
- ALE notes that Australian Government long term bond rates have fallen materially further than ALE's properties capitalisation rates over the past 10 years
- ALE continues to enjoy the benefits of unique and favourable lease arrangements
- Valuations exclude any premium or discount that may be obtained from a valuation on a portfolio basis.

Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announced it had formally reassessed the valuations of its 86 properties as at 30 June 2015 to $900.47 million. This is an increase of $62.58 million over the half-year since 31 December 2014 and an increase of $78.79 million or 9.59% over the year since 30 June 2014.

ALE's reassessment of the carrying value of its properties was based upon independent valuations of 38 properties by CBRE. ALE's weighted average capitalisation rate reduced from 6.42% to 5.99%.

The Directors' valuations of the remaining 48 properties (also independently valued over the previous two years) are supported by advice from CBRE that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a like for like basis, that they determined would apply to the 38 properties independently valued by them at 30 June 2015.

CBRE provided the following notable perspectives on the valuations and property markets:

- A tightening of capitalisation rates across the broader property investment market is evident over the last year in a continuing low interest rate regime where intense competitive pressure exists for commercial property investment;

- A significant volume of property transactional evidence was reviewed covering hotel, specialty hardware, liquor store and supermarket assets;

- It was increasingly evident that ALH's capital expenditure and in particular the past addition of Dan Murphy's liquor stores was materially adding to the profitability of the tenant's operations and ALE's future rent prospects;

- The fact that the 2018 and 2028 market rent reviews are drawing closer made the properties increasingly attractive investments;

- The net result of the 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 of the business operations within the venues which ultimately underpin value;

- Full access to the tenant's operating profitability at each of the properties (which is currently not publicly available) would be expected to have a positive influence on a purchaser's assessment and accordingly the values of the properties; and

- Investments similar to ALE's hotels, that is, long term securely leased property to a major corporate entity in a low interest and alternate investment environment, have become increasingly attractive to the long term passive investors.

All independent and Directors' valuations of the individual properties exclude any premium or discount that may be obtained from a valuation on a portfolio basis. Additionally, as indicated above, CBRE advised that an investor's view of market rent prospects and value may be positively influenced by full disclosure of the tenant's operating profitability at each of the properties.

Valuation Analysis

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 Cap Rate	Valuations at June 2015	Changes Since June 2014	Current Average Value
NSW	10	$7.29	5.64%	**$129.22**	$15.35	$12.92
QLD	32	$16.66	6.05%	**$275.62**	$34.68	$8.61
SA	7	$2.01	6.18%	**$32.52**	($1.12)	$4.65
VIC	33	$26.18	6.02%	**$435.20**	$29.23	$13.19
WA	4	$1.84	6.59%	**$27.91**	$0.65	$6.98
Totals	86	$53.98	**5.99%**	**$900.47**	$78.79	$10.47

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

Contributions to the full year increase in valuations of $78.79 million include:

- Annual CPI rent increases: $17.19 million
- Capitalisation rate reductions: $62.23 million
- Queensland land tax increases: ($0.63) million.

Rent Restructure

Following discussions, ALE and ALH have agreed to restructure $1.1 million of rent (representing 2.0% of current net rent) over a limited number of properties.

At eight properties the rent will reduce by a total of $1.1 million, improving those properties' profitability. At five other properties the total rent will increase by the same amount. Accordingly, ALE's current net passing rent of $53.98 million will remain unchanged. All other terms of the leases, including the dates and structure of future rent reviews remain unchanged.

The rent restructure increases the probability of improved future market rent review outcomes for ALE while maintaining the current passing rent and increasing statutory property valuations.

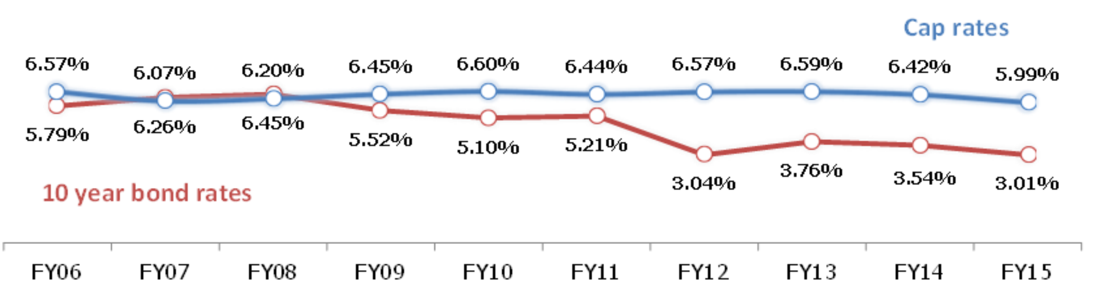
ALE considers that for the five properties where the rent has increased, they will continue to be significantly under rented and continue to be likely to gain the full benefit of the 2018 market rent review.

CBRE have advised that the overall impact of the rent restructure is positive to ALE's statutory valuations. The above independent property valuations as at 30 June 2015 are based on the restructured rental levels.

Capitalisation Rates and Bond Rates

ALE's average capitalisation rates have been very stable over the past ten years, 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 capitalisation rates and Australian Government bond rates over the past 10 years.



Over the past year the fall in long term bond rates has marginally exceeded the fall in ALE's capitalisation rates.

More interestingly, over the past 10 years long term bond rates have fallen by around 280 basis points, yet ALE's capitalisation rates have only fallen by around 60 basis points. While it is generally accepted that the two markets will rarely be closely correlated, it is notable that the extent of the difference is very material.

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.

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 13 years;
- Near term market rent reviews – next in 2018 for 79 of the 86 properties;
- 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 at the properties;

- Strong 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 13 years, as ALH is not released on assignment; and

- Strong operating profit protections – subject to regulatory changes and requirements, ALH have provided undertakings that they will not reduce the number of gaming entitlements below 90% of the current numbers across ALE's properties.

It is notable that other ALH leases available to investors in the pub property market may not have the benefit of all the above positive attributes.

We again refer stapled securityholders' to the portfolio valuation analysis announced by ALE in November 2013.

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