ALE PROPERTY GROUP

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Property Valuations as at 31 December 2015

Highlights

- ALE's 86 properties increased in value to $953.86 million, representing a 5.9% increase for the half year

- Valuation uplift was driven by a reduction in the weighted average capitalisation rate from 5.99% to 5.74% and the properties' annual CPI based rent increases

- Net Assets per security to increase by around $0.27

- Gearing to fall to around 46%

- ALE continues to enjoy the benefits of unique and favourable lease arrangements

- Statutory valuations largely ignore future market rent reviews, ALH's significant capital expenditure and additional value that may arise from future development of the properties including the significant spare land across the portfolio

- Statutory 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 31 December 2015 to $953.86 million. This is an increase of $53.39 million over the half year to 31 December 2015.

Previously, in June 2015, ALE engaged CBRE to value 38 of its properties. Transactional evidence since June 2015 has provided strong indications that ALE's capitalisation rates may have compressed in the period and therefore CBRE were requested to assess the values of these properties for December

2015. Based on the results of this review the Directors have revalued ALE's properties to $953.86 million at December 2015. As a result ALE's weighted average capitalisation rate reduced from 5.99% to 5.74%.

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 31 December 2015. The results are subject to external auditor review.

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

- A continuing tightening of capitalisation rates across the broader property investment market is evident over the last six months where yields in all states have compressed.

- There is a continuing low interest rate regime in Australia where intense competitive pressure exists for commercial property investment;

- The 2018 market rent review is now less than 3 years away and the 2028 market rent review is drawing closer which made the properties increasingly attractive investments;

- 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 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 December 2015	Changes Since June 2015	Current Average Value
NSW	10	$7.43	5.50%	**$135.03**	$5.81	$13.50
QLD	32	$16.93	5.70%	**$296.88**	$21.26	$9.28
SA	7	$2.03	6.04%	**$33.64**	$1.12	$4.80
VIC	33	$26.53	5.77%	**$459.71**	$24.51	$13.93
WA	4	$1.85	6.46%	**$28.60**	$0.69	$7.15
Totals	86	$54.77	**5.74%**	**$953.86**	$53.39	$11.09

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 half year increase in valuations of $53.39 million include:

- Annual CPI rent increases: $13.28 million
- Acquisitions $0.36 million
- Capitalisation rate reductions: $39.72 million
- Queensland land tax increases: $0.03 million.

Impact on Net Assets

ALE's net assets per security at 30 June 2015 was $2.27.

The above property valuations increase property assets by $0.27 per security. It is anticipated that net assets per security will rise by a similar amount.

The final net assets per security as at 31 December 2015 will be announced with the release of ALE's half year results, on or around 16 February 2016. The final net assets position will include, among other items, property and derivative fair value movements and the final operating result for the year. The results are subject to external auditor review.

ALE covenant gearing ratio was 48.0% at June 2015. It is anticipated that this increase in property values will see the gearing ratio fall to around 46%.

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.

In addition, the building utilisation of the land across the 86 properties currently averages around 25%. There is scope for ALH to exercise their development rights across the properties to produce additional value.

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

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