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The Manager
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Property Valuations as at 31 December 2008
Values Maintained In a Difficult Market

Highlights

- Valuation of ALE's 104 completed properties is assessed at $819.99 million as at 31 December 2008. This represents a small $6.97 million reduction over the past six months after allowing for acquisitions, disposals, changes in capitalisation rates and increases in inflation based net rental income.

- Weighted average capitalisation rate for the completed properties valuations moved from 6.20% to 6.54%, reflecting the quality of ALE's properties. The value impact of the small expansion in capitalisation rates was substantially offset by the increases in inflation based net rental income.

- Independent valuer, DTZ confirmed that there remains a strong demand from private investors for quality properties leased for long initial terms to investment grade covenants, particularly for properties with inflation indexed rent and an individual value of less than $15 million. Additionally, substantially lower interest rates are offsetting negative investor sentiment.

- Narrabeen Hotel, Narrabeen, NSW is held at its November 2003 valuation of $8.95 million pending its imminent completion. The independent estimate of the completion value as at 31 December 2008 is $10.26 million.

- At 30 June 2008, net assets per security were $3.08. The $0.08 reduction in the value of the completed properties is equivalent to $3.00 per security as at 31 December 2008. On completion of the Narrabeen property the reduction is equivalent to around $0.06 per security.

- The final net assets per security will be determined after the announcement of the half-year profit which includes fair value movements in derivative valuations.

- The above valuations include $1.96 million of previously announced land tax assessments in Queensland.

Completed Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announced it had formally reassessed the value of its 104 completed property values as at 31 December 2008 at $819.99 million. This is a small decrease of $6.97 million over the half-year since 30 June 2008, after allowing for acquisitions, disposals, changes in capitalisation rates and increases in inflation based net rental income.

ALE's value reassessment of 104 completed properties is based upon an independent valuation of 35 of ALE's completed properties conducted by DTZ Australia and a Directors' valuation of the remaining 69 completed properties, totalling $819.99 million.

The 30 June 2008 weighted average capitalisation rate of 6.20% for ALE's 104 properties has moved to 6.54% during the half-year.

The Directors' valuations are supported by independent advice that it is reasonable to apply the same weighted average capitalisation rates to the remaining 69 completed properties, on a state by state basis, that were applied to the 35 properties revalued by DTZ Australia.

All independent and Directors' valuations carried out on each of the individual properties exclude any premium or discount that may be obtained from valuation on a portfolio basis.

Independent valuer, DTZ confirmed that there remains a strong demand from private investors for quality properties leased for long initial terms to investment grade covenants, particularly for properties with inflation indexed rent and an individual value of less than $15 million. Additionally, substantially lower interest rates are offsetting negative investor sentiment.

Development Properties

During the half-year:

- Burleigh Heads Hotel, QLD was acquired on completion in November 2008. As at 31 December 2008 it has been revalued to $9.26 million, a $2.58 million premium to the acquisition price of $6.68 million; and

- Parkway Hotel, NSW was sold for $8.45 million in July 2008 at a capitalisation rate of 5.91%. This represented a $1.91 million premium to the book value of $6.54 million (before disposal costs).

The Narrabeen Hotel, NSW remains subject to final completion. The estimate of the completion value as at 31 December 2008 is $10.26 million, a $1.31 million premium to the book value of $8.95 million.

Valuation Analysis

The following table provides a state by state analysis of the increases in value since 30 June 2008:

State	Number	Net Rent [a] $m	Weighted Average Cap. Rate	Total Value at Dec 08 [b] $m	Increase Since 30 Jun 08 $m
Completed Properties					
QLD [c]	37	$15.78	6.41%	$246.11	($5.23)
NSW	11	$6.68	6.29%	$106.22	$0.30
SA	9	$2.61	7.14%	$36.56	$0.04
WA	4	$1.62	6.80%	$23.88	($1.25)
VIC [d]	43	$26.84	6.59%	$407.22	($0.83)
Total Completed	**104**	**$53.53**	**6.53%**	**$819.99**	**($6.97)**
To Be Completed	1	$0.74	8.28%	$8.95	-
Total	**105**	**$54.27**		**$828.94**	

(a) Net Rent is the passing rent net of current Queensland land tax of $1.96 million
(b) Rounding differences occur due to individual property valuations being rounded to the nearest $10,000
(c) Includes Burleigh Heads Hotel acquired in November 2008 following completion of development
(d) Includes Boundary Hotel acquired in June 2008

The reduction in value arising from the expansion in capitalisation rates was $40.71 million. This was substantially offset by a $33.74 million increase in value arising from the net rental income increases. Following completion of the Narrabeen property the net reduction is currently estimated to be $5.66 million. The above figures do not include the profit of $1.91 million made on the disposal of the Parkway Hotel, NSW in July 2008 at a capitalisation rate of 5.91%.

Net Assets per Security at 31 December 2008

Net assets per security were $3.08 at 30 June 2008. The reduction in completed property valuations will decrease net assets by around $0.08 per security as at 31 December 2008. On completion of the Narrabeen property the decrease in net assets per security is expected be around $0.06 per security.

The final figure will be announced with the release of ALE's results for the half-year to 31 December 2008, expected to be on or around 25 February 2009, which will include, among other items, fair value movements in derivative valuations and the distribution for the half-year period.

- Ends -

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