ALE PROPERTY GROUP

ASX ANNOUNCEMENT

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Property Valuations as at 30 June 2013

Highlights

- Valuation of ALE's 87 properties increased by 1.9% to $786.00 million during the year driven by increasing rent and lower land tax expenses partially offset by a small increase in capitalisation rates

- Weighted average capitalisation rate moved from 6.57% to 6.59%

- ALE's capitalisation rates have moved within a narrow range over the past six years reaffirming the stability of the properties' valuations

- Each of the 30 independent valuations undertaken in June 2013 included a DCF analysis assuming a capped 10% market rental increase in 2018

- ALE's prospects for positive market rental movements in 2018 and 2028 improve further as both ALH capital expenditure at ALE properties and Victorian gaming reforms materially increase ALH's earnings.

Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announced it had formally reassessed the valuations of its 87 properties as at 30 June 2013 to $786.00 million. This is an increase of $14.47 million or 1.9% over the year since 30 June 2012.

ALE's reassessment of the carrying value of its properties is based upon independent valuations of 30 of ALE's properties conducted by Urbis and CBRE as well as Directors' valuations of the remaining 57 properties.

The valuation of the 87 properties represents a weighted average capitalisation rate of 6.59% as at 30 June 2013, compared to 6.57% as at both 31 December 2012 and 30 June 2012.

The independent assessments were conducted by Urbis and CBRE after considering what has been a year of very low volume of comparable property sales evidence.

CBRE noted that in Victoria the new gaming structure has now been introduced and is expected to be a catalyst for increased transaction activity in the year ahead. In a broad market view, CBRE suggest that gaming venue trading profitability will increase as a consequence of the new gaming structures, with such increases falling to the bottom line of venues' overall operations.

Urbis highlighted transaction activity for pubs leased to national operators has increased marginally over the past 12 months, albeit with many in regional locations and subject to lower quality lease covenants.

Urbis also noted that whilst the pub market softened between 2010 and 2012, sentiment within the pub market appears to be improving evidenced by an increased volume of transactions (leasehold and freehold), however this improved sentiment has not to date translated into yield compression.

As before, the valuers have also included sales evidence of other comparable properties, other than pubs, leased to high quality tenants on long term leases.

Urbis considered the values of several freehold properties, leased to high quality single tenants, that were sold by other vendors during the past year and noted a number of these comparable properties and pub freeholds were associated with inferior lease terms and/or tenant covenants.

Urbis & CBRE both concluded that there remained significant evidence of continuing levels of demand from individual private investors for smaller value high quality commercial properties in the Australian market.

The contributions to the full year increase in valuations of $14.47 million included:

- increases from the annual CPI rent adjustments: $13.93 million;
- increases from Queensland land tax adjustments: $1.68 million; and
- reductions from capitalisation rates adjustments: ($1.14) million.

The Directors' valuations of the remaining 57 properties (also valued by Urbis over the previous two years) are supported by advice from Urbis and CBRE that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a state by state basis, that the valuers determined would apply to the 30 properties they independently valued at 30 June 2013.

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

Valuation Analysis

The following table provides a state by state analysis of the changes in property values between 30 June 2012 and 30 June 2013:

State	Property Numbers	Current Net Rent (a) $m	Weighted Average Cap Rate	Total Value at June 2013 (b) $m	Change Since June 2012 $m	Average Value $m
NSW	10	$7.30	6.60%	$110.63	$2.57	$11.06
QLD	32	$14.84	6.38%	$232.64	$6.68	$7.27
SA	7	$2.15	6.71%	$32.06	$0.25	$4.58
VIC	34	$25.70	6.68%	$384.40	$4.82	$11.31
WA	4	$1.79	6.83%	$26.27	$0.15	$6.57
Total	**87**	**$51.78**	**6.59%**	**$786.00**	**$14.47**	**$9.04**

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

Valuation Performance

Since June 2007 the movement in ALE's capitalisation rates has been relatively limited. The following table provides a summary of the yearly movements:

Year Ending	Average ALE Capitalisation Rate
June 2007	6.07%
June 2008	6.27%
June 2009	6.45%
June 2010	6.60%
June 2011	6.44%
June 2012	6.57%
June 2013	6.59%

Notwithstanding the volatility in other parts of the property and capital markets, the stability of ALE's average capitalisation rates reaffirms the quality of its assets and the wide investor appeal that the higher quality and smaller value sector of the commercial property market has and continues to enjoy.

Market Rent Outlook

ALE is not in a position to make any forecast of future market rental amounts that are likely to be payable on its properties.

For most of ALE's properties the next market rent review is in five years' time and is subject to a 10% cap and collar. An open or uncollared market rent review occurs in around 15 years (2028) and at each 10 year anniversary until lease expiry in 2068.

Independent valuers advise ALE that market rent for pub properties in Australia is usually set at between 35% and 45% of pub operator's EBITDAR and that they currently adopt this methodology.

Accordingly, it is expected that the most material factor in determining the ultimate market rent payable at ALE's properties will be the quantum of ALH earnings at each of the ALE properties at the time of the review.

A combination of significant capital expenditure by ALH at ALE's properties, ALH's very effective operational capability and the Victorian gaming reforms implemented in August 2012 are all materially increasing ALH's earnings at ALE's properties. This increasing ALH earnings profile, should it continue, is positive for ALE's market rental prospects in 2018, 2028 and beyond.

Statutory property valuations provided to ALE by CBRE and Urbis adopt comparable property capitalisation rates as well as a 10 year discounted cash flow (DCF) analysis valuation methodologies.

Each of the 30 independent valuations undertaken in June 2013 included a DCF analysis incorporating a capped 10% market rental increase in 2018. The valuations however attributed little if any value to the open market rent reviews which occur in 2028. If these open market rent reviews were to be considered in the valuation approach, the DCF property valuations may change.

Furthermore, ALE currently considers that a portfolio purchaser may be prepared to pay a premium for the value inherent in both the unique leasing arrangements and the positive outlook held by the independent valuers.

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