ALE PROPERTY GROUP

ASX ANNOUNCEMENT

12 December 2017

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The Manager
Australian Securities Exchange

Increase in Property Valuations as at 31 December 2017

Highlights

- Director's valuation of ALE's 86 properties increased by 1.88% to $1,100.51 million during the half year driven by the annual CPI based rent increases
- Weighted average adopted capitalisation rate remained unchanged at 5.14% reflecting advice from independent valuers
- Valuations exclude any premium or discount that may result from a valuation on a portfolio basis.

Statutory Property Valuations

Listed property trust and management company, ALE Property Group (ASX code: LEP) today announces that the directors have resolved to revalue the property portfolio to $1,100.51 million as at 31 December 2017. This is an increase of $20.35 million over the 30 June 2017 valuation and is substantially attributable to the CPI increase arising from the rental reviews of 81 of the properties since 30 June 2017. Rent for ALE's other five properties will be reviewed in the second half of the financial year.

The statutory valuation results provided above will be included in the half year statutory reports as at 31 December 2017.

The Directors' revaluations are supported by independent advice from CBRE and Herron Todd White that it would be reasonable for the Directors of ALE to maintain the adopted capitalisation rates used as at 30 June 2017 for the 86 properties. The 30 June 2017 adopted capitalisation rates were a combination of the application of both the traditional capitalisation rate and the discounted cash flow (DCF) methodologies but with an emphasis on the traditional capitalisation rate approach.

Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
Australian Leisure and Entertainment Property Trust ARSN 106 063 049

ALE believes that the DCF valuation method provides a comprehensive view of the quality of the lease and tenant as well as the longer term opportunities for a significant reversion to market based levels of rent. The properties are also of core strategic importance and have operated in their current locations as pubs for more than 60 years on average.

It was noted by both valuers that there continues to be significant demand across all classes of investment grade commercial property, particularly for properties with individual property values similar to those owned by ALE.

The Board has not had the individual properties revalued independently as at 31 December 2017. The next round of independent valuations will be undertaken as at 30 June 2018.

The table below provides an analysis of the increases in value arising from the CPI increase in net rental income and some small increases in Queensland land tax.

($ Million) State	Property Numbers	Current Net Rent	Weighted Average Cap Rate	Valuations at December 2017	Changes Since June 2017	Current Average Value
NSW	10	$7.74	5.08%	$152.37	$2.87	$15.24
QLD	32	$17.38	5.02%	$346.21	$5.59	$10.82
SA	7	$2.09	5.52%	$37.95	$0.70	$5.42
VIC	33	$27.50	5.16%	$532.51	$10.99	$16.14
WA	4	$1.88	5.96%	$31.47	$0.20	$7.87
Totals	86	**$56.59**	**5.14%**	**$1,100.51**	**$20.35**	**$12.80**

(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

Property Development by ALH

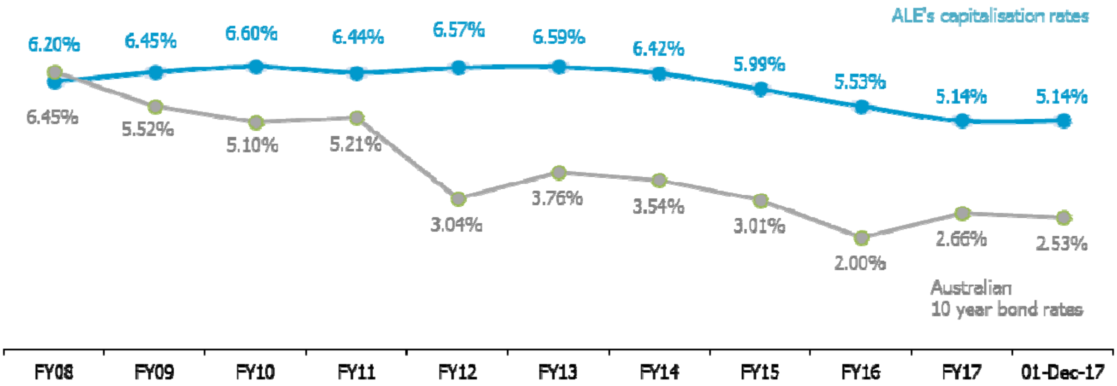
ALE and ALH continue to work closely to agree a range of developments at a number of ALE's properties. Two recent examples include:

- Gepps Cross Hotel, Adelaide – a newly constructed Dan Murphy's is expected to open in mid December 2017; and
- Miami Hotel, Gold Coast – a newly constructed Dan Murphy's is expected to open in mid December 2017.

Capitalisation Rates and Bond Rates

Over past ten years ALE's capitalisation rates have reduced by around 1.0%. This is relatively modest when compared to a 3.9% reduction in long term Australian government bond rates over the same period.

The chart below shows that, while the spread remains high, movements in ALE's average capitalisation rates are currently being driven by factors beyond movements in bond rates:



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